

ANNUAL REPORT 2020

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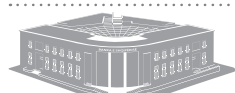


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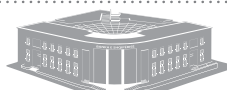
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LEGAL FRAMEWORK

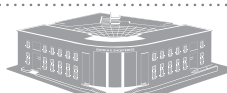
The Bank of Albania is the central bank of the Republic of Albania. Article 161 of the Constitution of Albania defines the status of the Bank of Albania and Law No. 8269, dated 27.12.1997, "On the Bank of Albania", lays down its objectives, duties, relationships with the banking system and state institutions 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. 8269, 9662, dated 18.12.2006, "On banks in the Republic of Albania", as amended;
- Law No. 8269, 133, dated 29.4.2013, "On payment system";
- Law No. 8269, 55/2020, dated 30.04.2020, "On payment services".
- 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".
- The Statute of the Bank of Albania approved by the Decision No. 90, dated 02.12.2015 of the Supervisory Council.





GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA

FOREWORD BY THE GOVERNOR

Dear reader,

I am addressing you at an unprecedented time for the world, Albania and the Bank itself. The shock we suffered from the pandemic was both severe and complex. The imposed lockdown of economies and borders and physical distancing measures - events never imagined to happen 12 months ago - had considerable economic and social costs and posed serious challenges to policy makers.

These factors led the Albanian economy to fall into recession and tested the resilience of its fundamentals.

The response of the Bank of Albania was immediate, coordinated and complex, on account of the exceptional nature of the shock. Our legislative mandate and operational independence allowed for implementation of a comprehensive set of monetary, supervisory, macro-prudential, operational and communication measures. The Bank, through these, aimed, and managed, to contribute to alleviation of the financial burden of the crisis on Albanian citizens and preservation of a safe and stable economic and financial environment.

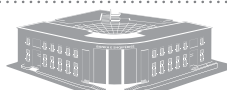
Following, I will present briefly the measures undertaken in the fields of our activity and their effects.

In the monetary policy field, we reduced the policy rate, supplied unlimited liquidity injections to the banking sector and informed the market through forward guidance on the duration of the accommodative monetary policy stance in the future. The increase of monetary stimulus calmed markets and underpinned their normal functioning. This was transmitted into reduction of interest rates and debt servicing costs and to an increase in credit volume. Bank credit is a stable financing source for households and enterprises, supporting their needs for consumption and investments.

In the financial field, we temporarily and in a targeted way eased regulations on the functioning of the banking system, by helping to set out a credit moratorium for enterprises and households in financial difficulties, and establishing the premises for loan restructuring to those borrowers encountering longer-term difficulties. Around 23,000 Albanian enterprises and households with loans from banks, amounting to ALL 200 billion, benefited from this facility. In parallel, we temporarily abolished dividend payments across the banking industry, postponed the implementation of certain restrictive macro-prudential measures and continued prudential supervision and monitoring of the banking system's performance. These measures served to preserve a well-capitalised banking system with sound practices for risk management.

Indicators of assets quality, financial results and capital of the banking sector appear at good levels. The non-performing loans ratio has remained at low levels and the direct exposure of its activity to market risks remains contained.

The banking sector has played a laudable role in tackling this crisis. Thanks to the reforms undertaken and years of work strengthening the regulatory and supervisory framework, the capacities of the sector have been enhanced, enabling it to be part



of the solution and not of the problem. The role of banks remains crucial, both in the phase of pandemic control and in the rebound phase of the economy in the future.

We have increased operational capacities, to meet the growing demand of the economy for cash, in spite of logistic difficulties. In addition, we have guaranteed the uninterrupted function of national payment systems and reduced costs for online payments in lek, by encouraging increased usage of electronic instruments for the conduction of payments.

Last, we have intensified communication with our national and international partners focusing on the exchange of information and increasing the coordination and effectiveness of our measures. Also, we have strengthened communication lines with the public at large by continuing with our regular publications on monetary policy, financial stability and banking supervision. While rigorously respecting physical distancing rules, we succeeded to be present, virtually, to explaining our decision making and responding to the questions of interest groups.

I am confident that the Bank of Albania has made an invaluable contribution in countering the immediate challenges of the crisis and preserving the monetary and financial stability of Albania, as one of the pillars needed to bolster rapid recovery of economic activity.

The Annual Report 2020 in your hands provides a more detailed and comprehensive description of our response to the crisis, but also more. The work, and marked progress, on strengthening professional capacities; supporting European integration processes; enhancing the efficiency of payment systems; empowering means for bank resolution; the qualitative and quantitative improvement of statistics in compliance with European Union practices; strengthening of internal government systems; and scientific research, are reflected in this Report. The medium-term development strategy of the Bank of Albania is embedded at the end of the Report. This strategy is our guidance for the coming future.

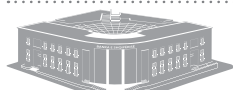
Just like the rest of the world, we at the Bank Albania adapted to the new way of working, remotely. Hence, we succeeded in fulfilling our engagements in a set of projects, among which I would like to note the 1-year twinning project, "Enhancing Bank of Albania's alignment with EU Acquis". The successful realisation of this project outlines once more the serious commitment of our institution to deepening the processes for integrating Albania into the European Union.

All these achievements were possible thanks to a talented and devoted staff. I am grateful for their work, which gives life to the fundamental value of the Bank - servicing public interest.

In conclusion, I would like to repeat once again, we remain dedicated to safeguarding the monetary and financial stability of the Republic of Albania, in accordance with our legal mandate.

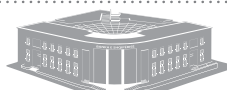
Kind regards,

Gent SEJKO
Governor



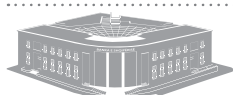
2020 YEAR IN BRIEF

- The year, 2020, marked a historic shock on economies nearly worldwide. They faced an unprecedented situation, a health crisis caused by the COVID-19, which has obliged governments to undertake extreme measures and disrupt a range of activities in public life. The Albanian government declared a state of emergency on March 2020 and closed down several economic activities. The restrictions relaxed in the second quarter, but some of them were re-imposed by the end of year as infections jumped.
- The Bank of Albania undertook immediate measures to support the Albanian economy that was hit by the pandemic. These measures have aimed at mitigating negative impacts on the welfare of the public, as well as the establishment of premises for a very rapid recovery of the economy in the following period. The reaction by the Bank of Albania was fast, with high intensity and effectiveness.
- In the field of monetary policy, the Bank of Albania reduced the key rate from 1.0% to 0.5% and the interest rate for the overnight lending facility, from 1.9% to 0.9%. The Bank switched to fixed-price full-allotment liquidity injection operations. In the fields of supervision and financial stability, the BoA undertook several temporary regulatory amendments aimed at easing the financial burden on both the banking system and borrowers and providing for continuous lending to the economy. The Bank of Albania guaranteed cash supply and the functioning of payment systems, in addition to the reduction of costs for on-line payments.
- The Albanian economy contracted by 5.5% in the first nine months of 2020. Almost all aggregate demand components and economic sectors suffered a contraction. On the other hand, the increase of budgeted expenditures supported the aggregate demand, but did not succeed to compensate the contraction of other components.
- Inflationary pressures continue to be low. Inflation averaged 1.6% in 2020, affected by a weak demand and a low increase in international prices. The Bank of Albania expects inflationary pressures to trend upwards underpinned by economic recovery in the next period and stimulating monetary policies.
- The domestic financial system has operated steadily and has supported the economy, in spite of the shock. Capitalisation and profitability indicators for the banking sector are considered satisfactory and their exposures to risks as contained. The macro-prudential methodological and regulatory framework has been enriched in compliance with the recommendations of the European Systemic Risk Board as well as the prudential approach taken in the context of the pandemic.
- The regulatory framework on supervision has been amended aiming at alignment with EU legal and regulatory acts and Basel III. Examinations on banks and non-bank financial institutions have continued, particularly focusing on credit risk. Regulatory complementariness was carried out in the framework



of Resolution, while resolution plans for systemic banks were finalised.

- The Credit Registry was harmonised with the regulatory and methodological framework of the European Union on the collection of detailed data, related to credit and credit risk (AnaCredit) and the ECB's regulatory requirements related to detailed statistics on securities were implemented.
- AIPS assessment was finalised, which achieved compliance with the supervisory principles of the European Central Bank, and regulatory and infrastructural interventions were made for guaranteeing the security and effectiveness of both systems, AIPS and AECH. Around 50% of measures set out in the action plan of the National Retail Payments Strategy were accomplished. Work has started for approximation with the EU "Payment Accounts Directive" which will boost financial inclusion.
- In 2020, the Twinning Project with Banca Italia and Deutsche Bundesbank (IPA funds) in the framework of enhancing Bank of Albania's alignment with EU Acquis was concluded. The twinning program involved eight departments throughout 2020, and was finalised into a number of tangible results, the drafting of 29 various documents, including policy papers; by-laws, manuals, and guidelines. Collaboration with the London School of Economics and Political Science was finalized at the virtual international conference on "COVID-19: The Impact on the Economy and Central Bank Policies".
- In November, the Supervisory Council approved the Medium-Term Development Strategy of the Bank of Albania 2021-2023. In compliance with the objectives of this strategy the SC approved the planned medium-term budget.



SUPERVISORY COUNCIL OF THE BANK OF ALBANIA



Mr. Gent Sejko, Chair



Ms. Natasha Ahmetaj, Member



Mr. Tonin Kola, Member



Mr. Ridvan Bode, Member



Ms. Luljeta Minxhozi, Deputy Chair



Ms. Suela Popa, Member



Ms. Edlira Luçi, Member



Ms. Violeta Staka, Member



Mr. Artan Hoxha, Member

1. SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. As such, it is responsible for formulating monetary policy and approving guidelines for its implementation. The Supervisory Council has the ultimate responsibility for deciding on the strategy of the Bank of Albania, the appointment of heads of departments, approval of 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.

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

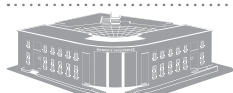
The decision-making process at the Bank of Albania is guided by the principles of lawfulness, professionalism, independence, and transparency.

Covid-19 was the “subject” throughout 2020. The announcement of a national state of emergency, in response to the pandemic, considerably affected the activity and functioning of the Council.

To mitigate its impact on the economy, the Council undertook a set of banking supervision and monetary policy measures. These measures proved crucial in supporting Albanian citizens, urging households and enterprises to access credit, reducing risks to banks, and sustaining banks to finance the economy.

The Council, to address liquidity problems to enterprises and households, temporarily suspended requirements on the classification and provisioning of loans. These enabled clients to apply to banks for extension of credit payments, with no penalties. In addition, the Council enabled banks to restructure loans within this year, with neither additional provisioning nor worsening of borrower’s status. The entry into force of more severe measures on the classification and provisioning of reclassified loans was extended by one year. Groundwork has been laid for out-of-court restructuring of borrowers with problems, which will become possible in 2022.

On the other hand, the Council cut the policy rate to a new historical minimum of 0.5%, by further reducing borrowing costs to both households and enterprises, aiming at bolstering consumption and investments. To strengthen banks’ capacities to absorb losses and support lending to households and enterprises, the distribution of profit from banks was suspended until the end of the year.



In parallel, to urge internet banking, which contributes to a reduction of the number of people requesting services at bank branches, the Council removed commissions on transactions of money in lek.

The Council held 15 meetings, as scheduled in the annual schedule of meetings. Eight of these meetings focused on review and approval of monetary policy. Four meetings were dedicated to financial stability, while three meetings addressed the annual programme of the Supervisory Council; the Annual Report of the Bank of Albania; and, the medium-term strategy, and the annual and medium-term budget.

The Council has regularly received information about the institution's management policies and methods and procedures related to the use of financial assets for the operational activity of the Bank of Albania. Regular information was presented on the financial position and achievements of the Bank of Albania. Information was also provided by the Investment Committee on foreign currency reserve management. The Council has received regular reports on the findings and recommendations from audits of the Audit Department, on the effectiveness and quality of internal control systems, risk management and Bank of Albania management.

Nevertheless, the emergency situation required decisions to be made via electronic means of communication. For this reason, in 2020 a record number of circulating decisions were registered - 19 decisions in total. Due to observance of social distancing measures, meetings of the Council, starting from August, were held virtually, through the Webex platform.

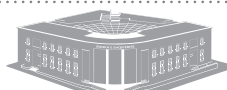
In December 2020, Parliament elected a new member to the Council, Ms Violeta Staka, complementing the composition of the Council's 9 members, who are elected and appointed by this institution.

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

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 2020, the Council approved 81 decisions, of which 60 were acts approved for the first time and 21 were amendments to existing acts.

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



- **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 November, the Council reviewed the Medium-term Development Strategy of the Bank of Albania for the period of 2021-2023, keeping the Bank of Albania's mission, vision and values unchanged. This Document updates the existing strategy for the period 2020-2022.

In fulfilment of its responsibilities with regard to the internal organization of the institution, in December the Council adopted some amendments to the organisational structure of the Bank of Albania, aimed at meeting the needs of some departments for fulfilling the strategic objectives, improving work processes, by increasing the number of employees or reclassifying the existing job positions.

- **Budget**

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

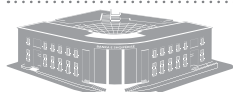
In November, the Council approved the budget of the Bank of Albania for 2021-2023. The budget was drafted in accordance with the Medium-term Development Strategy of the Bank of Albania and departmental projections on medium-term incomes and expenses.

The budget of the Bank of Albania for 2021-2023 aims at: (i) further improving the monetary policy and operations framework; (ii) further developing professional capacities; (iii) supplying the economy with qualitative banknotes and its prudential processing; (iv) enhancing communication and transparency with the public; and (v) improving information technology; security and premises infrastructure where the activity of the Bank of Albania is conducted.

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

The Supervisory Council is regularly informed by the internal and external auditors on the compliance with the law and other acts regulating the daily activity of the Bank of Albania.



- **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.

1. **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 on budget, accounting and audit procedures at the Bank of Albania.

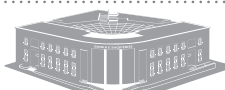
2. **Activity of the Audit Committee**

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 Committee is composed of three members, namely: Ms Suela Popa (Chair), Mr Ridvan Bode and Ms Edlira Luçi. 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 2020, the Audit Committee held seven meetings, which included review of the following: (i) the annual work plan and internal audit commitments for the year; (ii) the regular report of the Inspector General on the audit activity; (iii) the audit of financial statements for the Bank of Albania and the Pension Fund, along with the letter on management and the opinion of the external auditor; (iv) the annual budget and the planned medium-term budget; and (v) the Code of Conduct for the Bank of Albania, a recommendation of the Parliament's resolution.

The Council approved some amendments to the Regulation "On the functioning of Audit Committee" which aim at improving the functioning of the Committee in



line with the best international standards and in accordance with the Regulation of the European Central Bank.

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.

3. 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.

The Inspector General has reported regularly to the Council on the realisation of the annual plan of Control department and the result of the auditing commitments. The plan is based on international internal audit standards and the updated risk assessment of the identified functions in the revised audit universe.

4. Business continuity

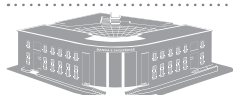
For the implementation of business continuity of the Bank of Albania's activity, the Inspector General has informed the Council regarding the measures undertaken by the Bank of Albania for handling the emergency situation created by the Covid-19 pandemic. The presented information shows the chronological implementation of the undertaken measures at preventive level and their evolution to all employees and Departments at the Bank of Albania.

- **External audit**

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

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

The Audit Committee reviews the effectiveness and appropriateness of the external audit function. Prior to submitting 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 2019 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 2019 were audited by Ernst & Young – Authorized Chartered Auditors. In the opinion of Ernst & Young, the financial statements give a fair view of the Bank of Albania's financial position as of 31 December 2019, and of its financial performance and cash flows in accordance with International Financial Reporting Standards.

This year's Report was accompanied, 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.

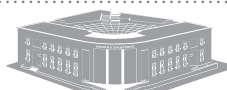
- **Other reporting to the Assembly and the Council of Ministers**

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 quarterly and half-yearly reports, 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 2019. The value of net profit realized during 2019 was ALL 1,345,785,333. This profit was around 158% higher than net profit realised by BoA at the end of 2018. The main share in this growth is attributable to income from securities sale. The net profit is calculated as the result of the difference between net income from activity of BoA (ALL 1,338,914,278) and net provisions (ALL 6,871,055).

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 monetary policy strategy, defines price stability as keeping the consumer price inflation rate at 3%, in the medium term.

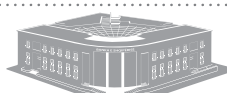
Through fulfilment of this objective, the Bank of Albania contributes to the stable development of the economy and improvement in the welfare of Albanian citizens.

The Supervisory Council of the Bank of Albania makes monetary policy decisions. These decisions are based on the contemporary framework of analysis and forecast. This framework makes use of all available information, and is based on tested econometric models and the best practices of central banking.

The Covid-19 pandemic dominated economic developments in 2020. The measures put in place to contain its spread coupled with the heightened uncertainty led to a fall in demand, output and employment; an increase in unemployment; and financial difficulties for Albanian enterprises and households. In this economic context, inflationary pressures remained low and inflation undershot the 3% target.

Economic policies - fiscal, monetary and financial - were coordinated for stimulation, to mitigate the impact of the pandemic on the economy. Monetary policy became more stimulatory. The increase of monetary stimulus underpinned better functioning of markets, a reduction in interest rates and risk premia, and bank credit support for Albanian households and enterprises during the time of uncertainty.

The measures which were put in place contributed to preserving financial and monetary stability, by creating the premises for faster economy recovery. This is a necessary precondition for inflation to return to our target, 3%. Against this backdrop, monetary policy should maintain an accommodative stance, keeping inflation on a stable upward trajectory.



2.1.1 MONETARY POLICY IN 2020

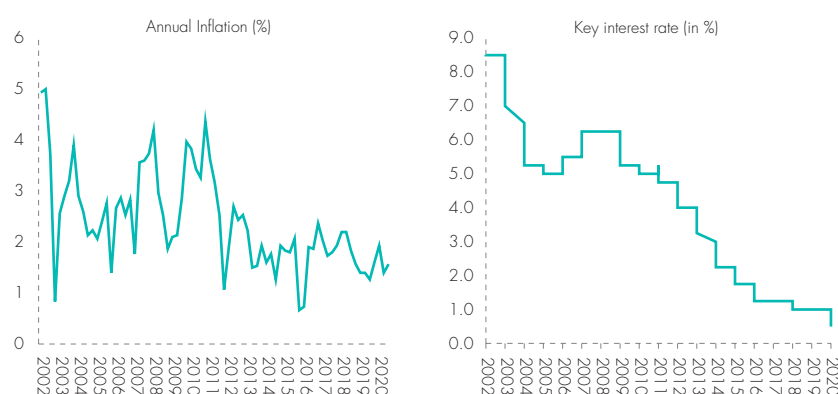
2020 was a hard year for both Albanian and global economies. More than 90% of global economies experienced an economic downturn, an increase in unemployment rates and weak inflationary pressures. Indicators of main economic balances deteriorated, while fiscal deficits and public debts increased sharply. Unprecedented fiscal and monetary measures have alleviated the impact of the pandemic, by increasing the chances for rapid rebound in economic activities once the pandemic ends.

According to the Institute of Statistics, the economic activity in Albania contracted by 5.5%, employment dropped by 1.2%, and the unemployment rate jumped to 11.6%, during the first three quarters of 2020. The economic fall reflected the simultaneous contraction in almost all components of the aggregate demand and in all sectors of the economy. The crisis particularly hit the trade flows and services sector, as these activities were the most exposed to the implemented restrictions. The increase of fiscal stimulus only partially compensated for the fall in consumption and private investments. The economic fall contracted fiscal revenue. Coupled with an increase in expenditures, this contributed to a rapid increase in fiscal deficit and public debt. At the end of 2020, public debt to GDP reached 77.8%, from 66.2% at the end of 2019.

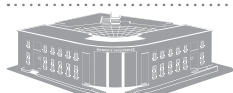
The largest impact of the pandemic materialised in the second quarter. Relaxation of restrictive measures opened the way for economic activity and the labour market to gradually and temporarily recover. Nevertheless, both production and employment remain at lower levels than at the end of 2019 and spare capacities have been rising. Hence, inflationary pressures continue to trend downwards.

In 2020, annual inflation averaged 1.6%, remaining below the target of the central bank. Its volatile performance was mostly affected by the prices of

Chart 1. Inflation and policy rate (in %)



Source: INSTAT, Bank of Albania.



foods, which accounted for around 42% of the consumption basket. On the other hand, core inflation¹ was 1.4% and provided a stable contribution to headline inflation. Expectations of households and enterprises for inflation after one year fluctuate close to our 3% target.

Intervention with stimulating economic policies was indispensable for mitigating the impact of the pandemic on the economy and preserving monetary and financial stability. Fiscal policy played the main role in supporting aggregate demand by providing income to households, with wage compensation packages, increasing transfers and access to employment programmes; supporting enterprises with liquidity, by removing tax obligations, and initiating a sovereign guarantee scheme for loans; and increasing spending on the health system to address the pandemic.

The Bank of Albania increased the monetary stimulus and undertook other regulatory measures aimed at maintaining both lending flow and uninterrupted financial services, preserving monetary and financial stability. The eased monetary policy package included:

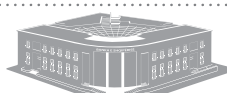
- Cutting the key interest rate to 0.5% and narrowing channels for standing facilities, by reducing the overnight lending facility interest rate to 0.9%. This measure aims at reducing the cost of debt financing and servicing in the economy.
- Increasing liquidity injections into the banking system, through the adoption of an operational strategy which enables the unlimited injection of liquidity. This measure aims at guaranteeing smooth functioning of the financial market and the monetary policy transmission mechanism.
- Using forward guidance to inform the market on the stimulating monetary policy stance in the future. This measure aimed at controlling the interest rates curve and the extension of its effect in time.

The increase of monetary stimulus helped to control debt financing and servicing costs and bolstered financing to the private sector with bank loans.

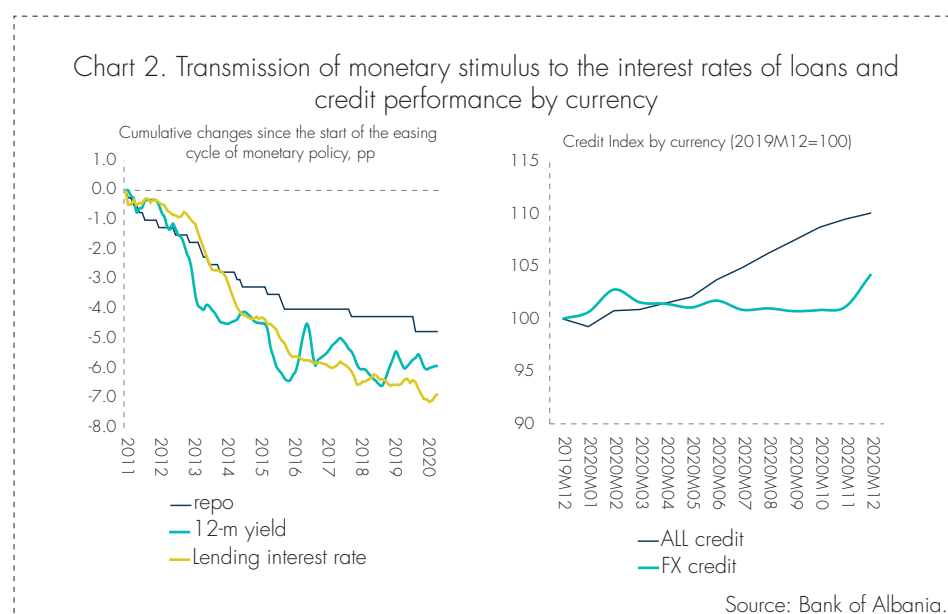
The central bank's provision of ample and sufficient liquidity and the restoring of calm to the uncertainty-related financial market allowed financial markets to continue their normal activity and enabled a better pass through of monetary stimulus to the economy. Financing costs to both private and public sectors remain at low historical levels and the exchange rate has been stable.

Low interest rate levels the ample liquidity in the market led to a 6.8% average growth in the credit portfolio in 2020, by meeting the increasing needs for liquidity to the economy, and supporting investments once the emergency situation was overcome. Lending to enterprises and credit in lek were the main contributors to growth of credit. The latter was sustained by state

¹ Core inflation is defined as an inflation estimate which omits the short-term fluctuations and one-time supply-side shocks. It represents the most stable part of inflation that is affected by the demand-side factors and consequently of monetary policy.



guarantee schemes. The ongoing growth of credit in lek led also to an increase of this portfolio's share to total loans, up to 50% at the end of 2020. This positive development establishes the premises for enhancing monetary policy effectiveness and strengthening the financial stability of Albania.

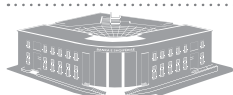


The coordinated easing of economic policies was adequate and avoided the materialisation of adverse scenarios. Economic fall was not as deep as expected earlier, increase of unemployment was contained and fluctuations in financial indicators, including the exchange rate, were low. Box 1 shows an empirical assessment of the positive contribution of monetary policy to economic activity and inflation.

The banking sector made a rather positive and useful contribution throughout the crisis. This sector continued lending and undertook the payment of a part of the financial bill through the extension of credit payments and credit restructuring. Maintaining a pro-active approach to lending is a crucial precondition to ensure necessary financial support for the economy to rebound.

Premises for the recovery of the economy are positive, but uncertainties remain high. Economic developments in the future depend considerably on how the epidemiological situation will evolve. Economic activity is expected to rebound once the pandemic is over, underpinned by a considerable monetary and fiscal stimulus, and the recovery of global economic activity. The start of the vaccination process provides hope in this regard.

Until a stable economic recovery materializes, the monetary policy will continue to provide stimulating monetary conditions for Albanian households and enterprises. Economic recovery is a precondition for inflation to increase towards our target of 3%.



BOX 1:**MONETARY POLICY IN ALBANIA AND ITS CONTRIBUTION TO ECONOMIC ACTIVITY AND INFLATION**

This box aims to provide an assessment of the impact of monetary policy on both economic activity and inflation in Albania.

The assessment of the undertaken measures over a continuous period of time is particularly important for 2020, when macro-economic policies were all on the stimulating side. The impact of monetary policy in the period 2017-2020 shows a positive effect of 0.83 p.p on economic activity and 0.7 p.p on inflation.

The box is divided into three sections: the first section 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. This exercise updates the previous assessments, a broader description on the impact and the methodology is found in the previous Annual Reports¹.

Monetary Policy Transmission Channels

The monetary policy is pro-active and forward looking. The monetary policy is an effective instrument aimed at smoothing fluctuations in the economy and controlling the formation of inflationary pressures. This function is achieved through the impact of monetary policy on interest rates in the market; the expectations of economic agents, and performance of the exchange rate.

- *The monetary policy stance impacts the decision of consumers and enterprises on spending and savings, by affecting economic activity and domestic inflationary pressures.*
- *Forward guidance on the monetary policy stance reduces uncertainty for economic agents.*
- *The policy rate is indirectly tied to exchange rate performance. The latter affects the competitiveness of exports, transmission of foreign prices to consumption prices in Albania and the interest rates on loans in foreign currency. In euroized economies, like Albania, the exchange rate also affects the purchasing power of borrowers in foreign currency, unhedged against exchange rate changes.*

The monetary policy is accommodative when the policy rate remains below its equilibrium level. Such policy is undertaken when the economic activity is assessed as below its equilibrium level for a long period and when inflation is below its target. Given that the monetary policy has an accommodative stance, its effect on economic growth and inflation is a positive one. A tight monetary policy operates in an opposite manner.

Assessment methodology of the monetary policy impact

Three exercises were conducted to ascertain the effect of the monetary policy on economic growth:

- *In the first exercise, the effect of monetary policy on interest rates in domestic currency, and further, the latter's impact on economic activity, are assessed.*
- *In the second exercise, the impact of monetary policy on the nominal*



- exchange rate is obtained.
- Finally, looking at the impact of monetary policy on economic activity and on the exchange rate, the impact of monetary policy on inflation rates is assessed.

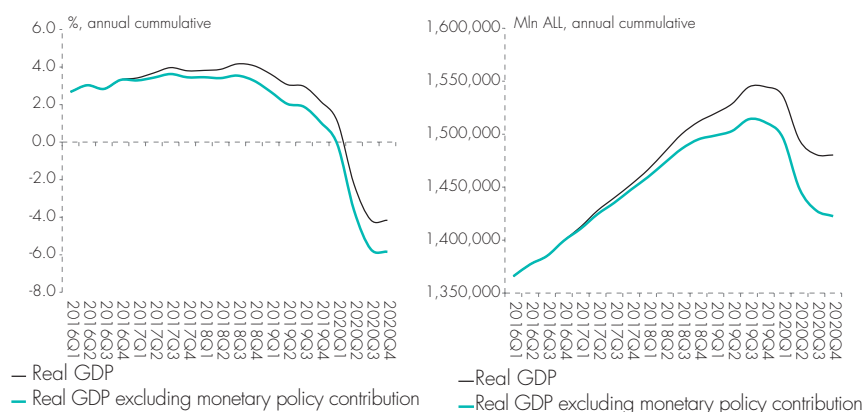
These assessments were carried out through the monetary policy model used by the Bank of Albania for medium-term projections.

Results

The presented findings on the monetary policy's impact have been conducted since 2017. In summary, our conclusions are as follows:

- The accommodative monetary policy stance has made a positive contribution of 0.83 p.p to the average economic growth in the period 2017-2020. This positive effect is being transmitted through the reduction of interest rates and of existing debt servicing costs and through uninterrupted lending to economy.
- Although the real economy indicators deteriorated during 2020, the positive effect of monetary policy on the economy has been strengthened.
- The monetary policy has a cumulative impact on the level of economic activity, measured by the real GDP. Real economic activity was around 3.7 p.p. higher than an alternative GDP without the contribution of the monetary policy, up to 2020 Q3, due to the positive effect of the accommodative monetary policy.

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 accommodative monetary policy stance has exerted depreciating pressures on the exchange rate, with an average contribution around 0.6 p.p per year, throughout the period.
- The impact of the accommodative monetary policy on both economic growth and the exchange rate has affected higher inflationary pressures. Annual inflation for 2017-2020 was assessed to be higher, by 0.7 p.p., on average, due to the impact of the monetary policy. During 2019-2020, the intensity of this impact has strengthened, to 0.1 p.p, on average, compared with 0.2 p.p. in 2017.

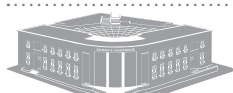
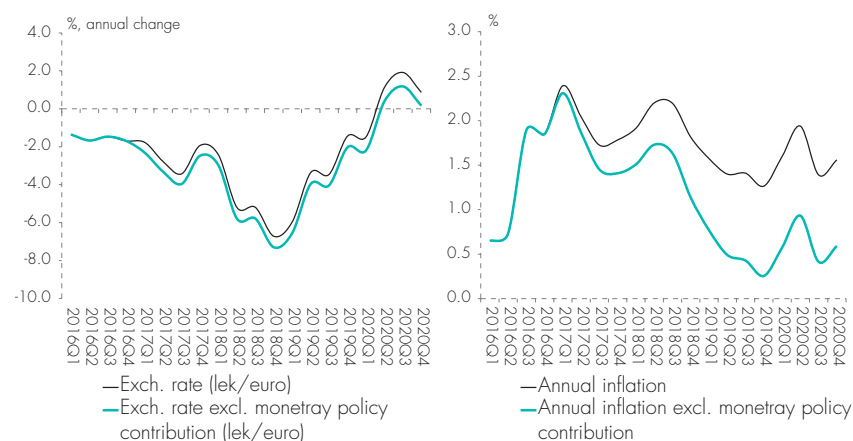


Chart 4. The exchange rate lek/euro (left) and annual inflation(right), real and without the contribution of the monetary policy



Source: Bank of Albania.

¹ For previous assessments, see "Box 1: Monetary policy in Albania and its contribution to economic growth", Annual Report, 2017, page 27; and "Box 1: Monetary policy and its impact on the economy," Annual Report, 2019, page 24.

Despite the challenges and difficulties posed by the pandemic, the Bank of Albania has continued to work towards its strategic priorities in the field of monetary policy. In 2020, BoA has further developed its analysis and forecasting framework, which has enabled the formulation of a monetary policy consistent with economic conditions. Analyses and forecasts were conducted at a higher frequency than normal and we paid special attention to the compilation of contingency plans, as an indispensable approach given the unknown conditions and uncertainties we still are tackling. Collaboration in the form of technical assistance continued, mainly virtually, with SECO and EBRD. This year, special attention was paid to further improving the communication process of monetary policy, with help and assistance provided by Banca d'Italia, Deutsche Bundesbank, and Banque de France, in the framework of the Twinning Project "Enhancing Bank of Albania's alignment with EU Acquis".

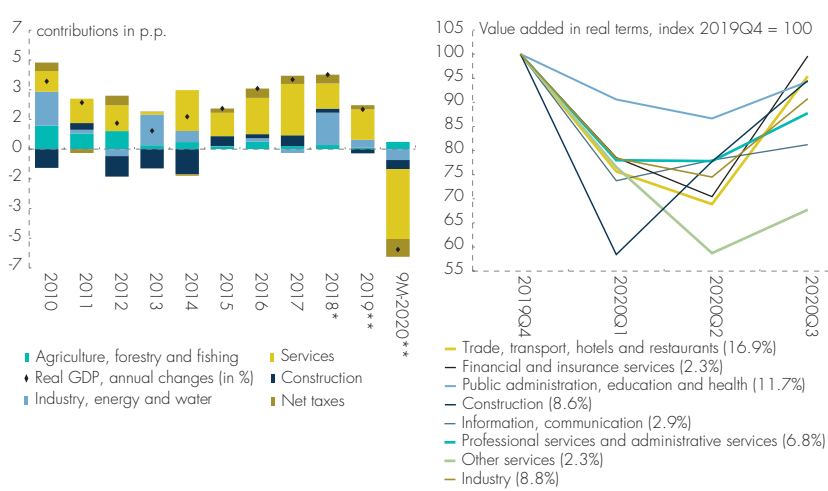
2.1.2 ECONOMIC ACTIVITY

Economic activity in Albania fell over the course of 2020. This downturn reflected the negative contribution of almost all sectors of the economy and of the aggregate demand components. The increase of fiscal stimulus only partially compensated for the fall in both domestic and foreign demand. Economic activity is expected to return to positive growth rates, as health crises end, in 2021 and following.



Economic Activity in Albania continued the contraction which started in the fourth quarter of 2019. After the shock of the earthquake on 26 November 2019, the economy faced the negative effects arising from the restrictive measures undertaken to control the epidemic situation in Albania. GDP shrank by 5.5% during the first nine months of 2020, after the 2.9% growth recorded in the same period a year earlier.² Alleviation of restrictive measures has been driving the economy to reaction since the third quarter. This performance is expected to have continued during the fourth quarter as well. Nevertheless economic recovery remains slow and below pre-pandemic levels.

Chart 5. Economic activity by sectors (left) and real value added (right)



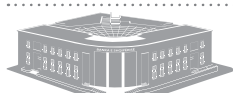
Source: INSTAT and Bank of Albania.

The contraction of economic activity was mainly attributable to developments in the services sector³, whose contribution to the annual contraction of GDP was -3.8 percentage points. The negative shock was particularly strong on the branch of "Trade, transport, accommodation and food service", which includes activities that have been more affected by the restrictive measures, contributing -2.5 percentage points to GDP contraction. Also, construction⁴, manufacturing and mining, and quarrying contributed to the economic fall, although at a relatively lesser extent (each by 0.5 percentage point). Meanwhile, the increase of value added in agriculture, forestry and fishing, and electricity provided a positive contribution to economic performance (0.4 percentage point, respectively). In reflection of a contracting economy, net taxes also dropped

² The information published by INSTAT on gross domestic product by the method of production and expenditures cover developments to the third quarter 2020, published on 24 December 2020.

³ 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".

⁴ Negative developments in construction were attributable to a certain degree to the pre-final phase of the TAP project, contraction in construction materials and metals, a relatively low number of granted construction permits compared to a year earlier, and the worsening of business confidence in construction.



during the first nine months of 2020, with a -1.0 percentage point contribution to the annual pace of GDP.

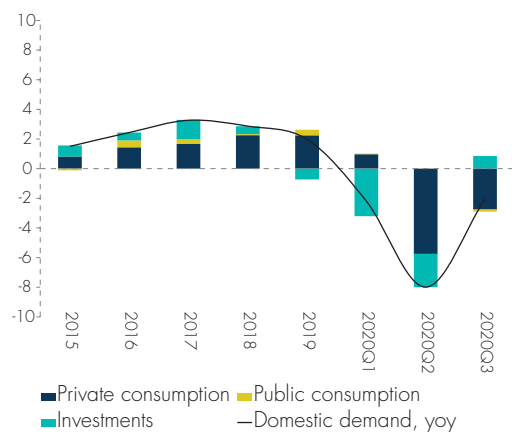
Consumption and investments led to the contraction of aggregate demand

Domestic demand contracted by 4.2% in the first nine months of 2020, reflecting a fall in consumption and private investments. Social distancing and health care measures, a fall in income and an increase of uncertainty resulted in a contraction of both consumer and investment spending. On the other side, favourable financing conditions, growth of credit and fiscal measures have somewhat amortised the drop in consumption and investments.

Private consumption dropped by 3.8% during the first three quarters of 2020.

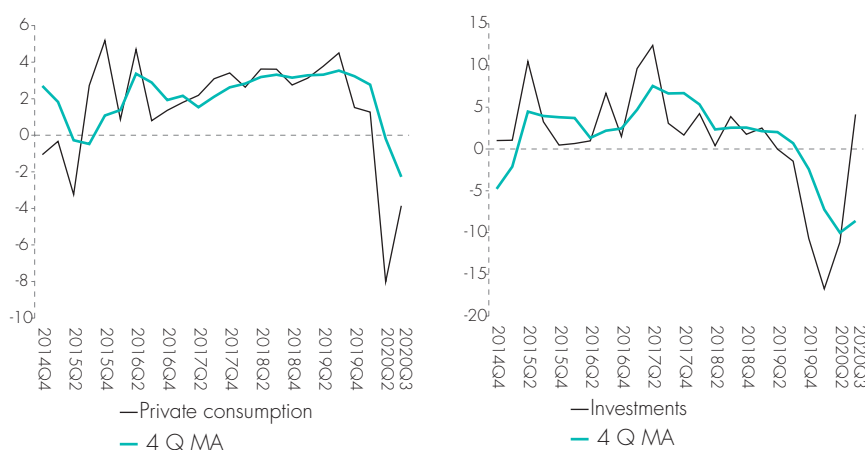
It recorded the sharpest contraction in the second quarter, when restrictions were heavier. Further, their relaxation opened the path for a gradual recovery and in the third quarter, consumption jumped 6.1% compared to the previous quarter. Various indirect indicators suggest that the recovery of private consumption has continued in 2020 Q4, but remains below the pre-pandemic level.

Chart 6. Annual change of domestic demand by components



Source: INSTAT and Bank of Albania.

Chart 7. Consumption and investments (annual change)



Source: INSTAT and Bank of Albania.

Investments dropped by 7.5% during the first three quarters of 2020.

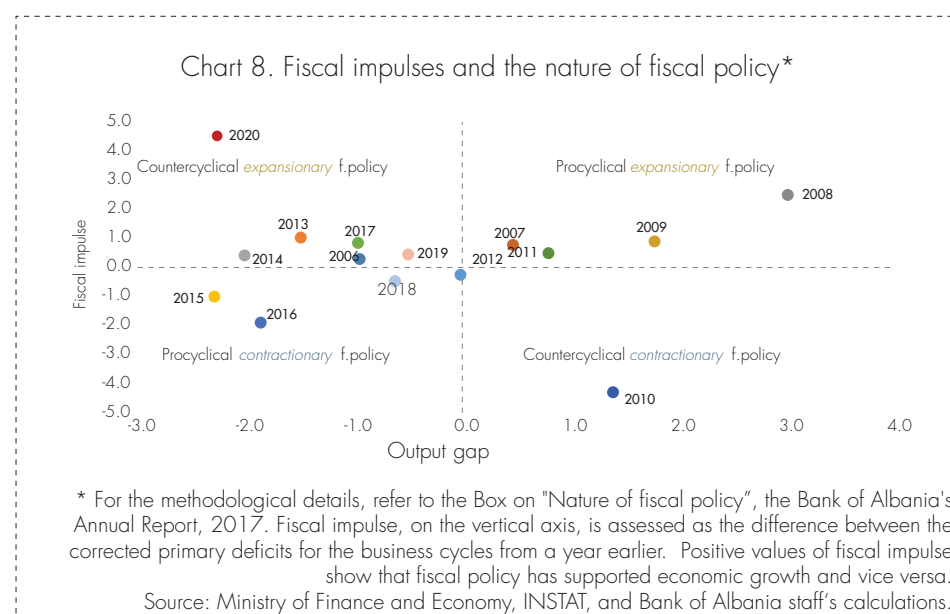
The fall in this component of private demand is assessed to have reflected the contraction of private investments while public investments have been rising. The



negative performance of investments started in 2019 Q4, and was intensified during the first half of 2020, in line with the placement of restrictions, a fall in consumer demand and an increase of uncertainty. On the other side, activation of the re-construction programme for buildings damaged by the earthquake resulted in the growth of public investments. Preliminary quantitative indicators and results from surveys suggest that investments will continue to contribute positively to the economic growth of 2020 Q4. Low interest rates and credit growth for investment purposes are favourable factors.

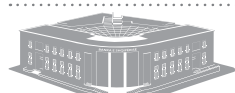
The budget deficit increased to 6.9% of GDP⁵ in 2020.

The fiscal policy primarily aimed at mitigating the negative effects stemming from the COVID-19 pandemic and the earthquake of November 2019 on the economy, over 2020. The fiscal authority, to achieve this objective, reacted through the establishment of temporary fiscal facilities, in the form of granting and extending certain tax payments, and through the increase of spending in the form of direct transfers to households who lost their jobs and to vulnerable social groups. These measures were translated into a 4.5% fiscal impulse of GDP, the highest values recorded in years.



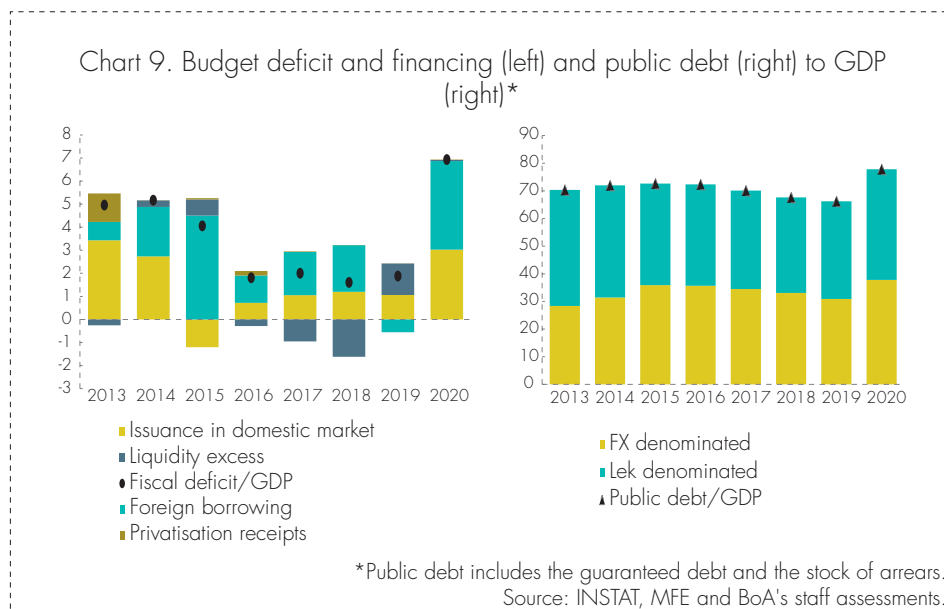
The budget deficit increased considerably in 2020, as a result of counter-cyclical features of fiscal policy instated to partially mitigate the economic fall. The deficit was around ALL 110.7 billion, or 6.9% of GDP, the highest level in the last decade. The increase in deficit was two-fold, including a fall in tax revenues as well as an increase in spending aimed at alleviating the negative shock on the economy, and reconstruction of infrastructure and buildings damaged by the earthquake.

⁵ Nominal GDP used for the calculation of ratios is an assessment of the Bank of Albania, while fiscal statistics are published by the Ministry of Finance and Economy.



In addition to conventional instruments, for financing the budget deficit, non-conventional instruments were employed, such as the Rapid Finance Instrument (RFI), issued by the IMF, which covered around 21% of the fiscal deficit. Also, the high needs for financing were tackled through the issue of a Eurobond, in the amount of EUR 650 million. A part of this amount was used to pay the remaining portion of the EUR 250 million Eurobond issued in 2015. In the domestic market, borrowing increased through the issue of both short and long-term securities in the primary market. T-bills and bonds issued in the primary market in lek and foreign currency financed around 44% of the budget deficit.

Public deficit ratio to GDP reached 77.8% as of end of 2020, up by 11.6 p.p. from the end of 2019, driven by the expansion of the budget deficit, issue of state guarantees and the contraction effect of GDP. Debt stock denominated in foreign currency accounted for around 49% of total debt.



Budget expenditure for 2020 amounted to around ALL 536.3 billion, or around 9% higher than in the previous year. The majority of expenditures growth came from the expansion of public investments, in the form of both capital expenditures, and those designated for the reconstruction of private buildings and public infrastructure damaged by the earthquake. Direct fiscal transfers contributed by around 2.5 percentage points to the expansion of total expenditure for the year.

Budget revenues were around ALL 425.6 billion, and recorded a deep annual contraction of 7.5%. Performance of revenues, during 2020, suffered the simultaneous impact of many factors, including cyclical weakness of the economy, implementation of fiscal facilities, and a drop in fuel prices in the international markets.

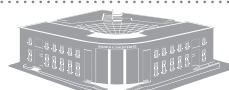
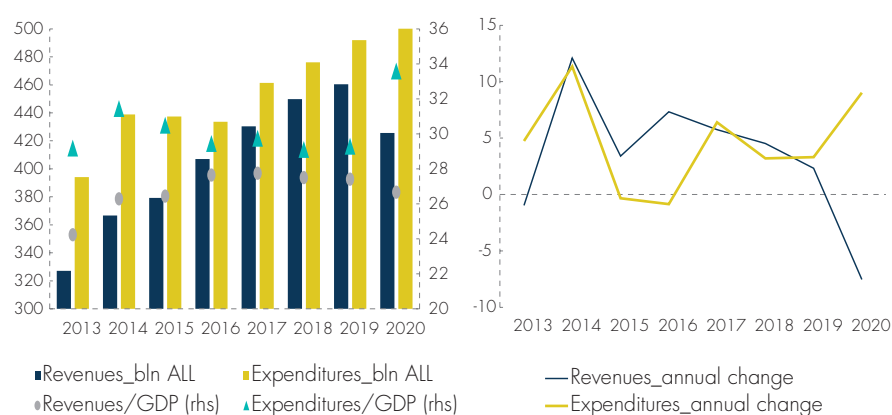


Chart 10. Revenues and expenditures

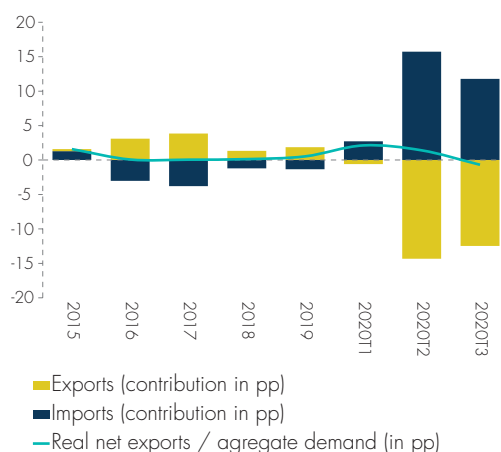


Source: INSTAT, MFE and BoA's staff assessments.

Trade deficit narrowed by 6.6% in real terms during the first three quarters of 2020

Net exports provided a positive impact on economic performance during the first nine months of 2020. This contribution was determined by a fall in imports of goods and services, which have a higher share than exports in our balance of trade. Imports dropped by around 23.1% during the first three quarters of 2020, reflecting a fall in domestic demand. Also, exports of goods and services dropped by 29.6%, reflecting a fall in both foreign demand and commodity prices in international markets. The fall in exports was mainly driven by the export of services (-34.1%), which suffered from the restrictions applied to the movement of citizens.

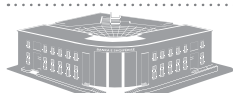
Chart 11. Net exports



Source: INSTAT and Bank of Albania.

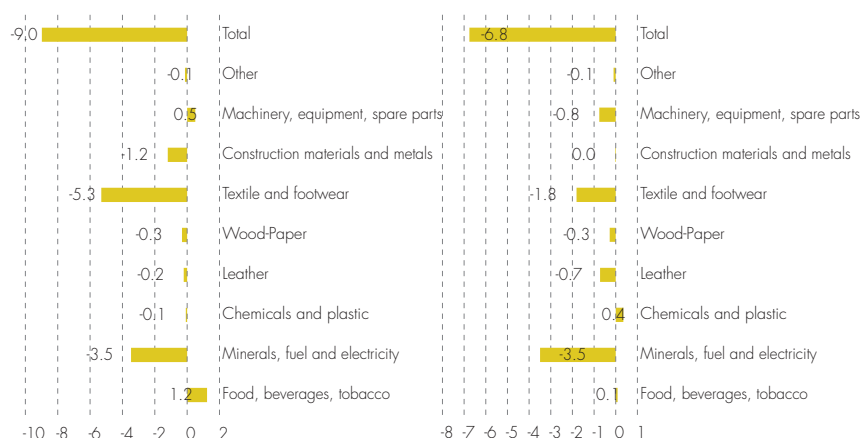
The positive contribution of net exports was concentrated in the first half of the year. The faster recovery of imports against exports was reflected in expansion of trade deficits and led to a negative impact of net exports on economic growth in the third quarter.

The availability of data on the trade in goods enables their analyses for the entire year. The annual drop of exports was 9.0% in 2020. The categories of: "Textile and footwear", "Minerals, fuel, electricity", and "Construction materials and metals", made the main contributions in this regard. A fall in foreign demand, particularly from our main partner (Italy), and the unfavourable conjunctures of oil and metal prices were the main determinants in the performance of exports.



The same view is noted for imports as well. Their annual fall was 6.8%, mainly impacted by the categories: "Minerals, fuel and electricity" and "textile and footwear". The category "Machinery, equipment, spare parts"- whose performance closely relates to the recovery of investments during this period - mainly, affected the slight recovery of imports during the second half of year. The higher importing contribution led to a contraction of trade deficit in annual terms by 4.9%.

Chart 12. Annual growth of exports (left) and imports (right) of goods with contribution of categories



Source: INSTAT.

A map of geographical distribution of trade balance shows that trade with Italy has declined, while exports with neighbouring countries, such as Greece, Kosovo and North Macedonia, have been more stable, even with slightly positive contributions. This phenomenon was in line with global trends during 2020, in relation to affirmation or recovery of short trade relations between neighbouring countries.

2.1.3 LABOUR MARKET

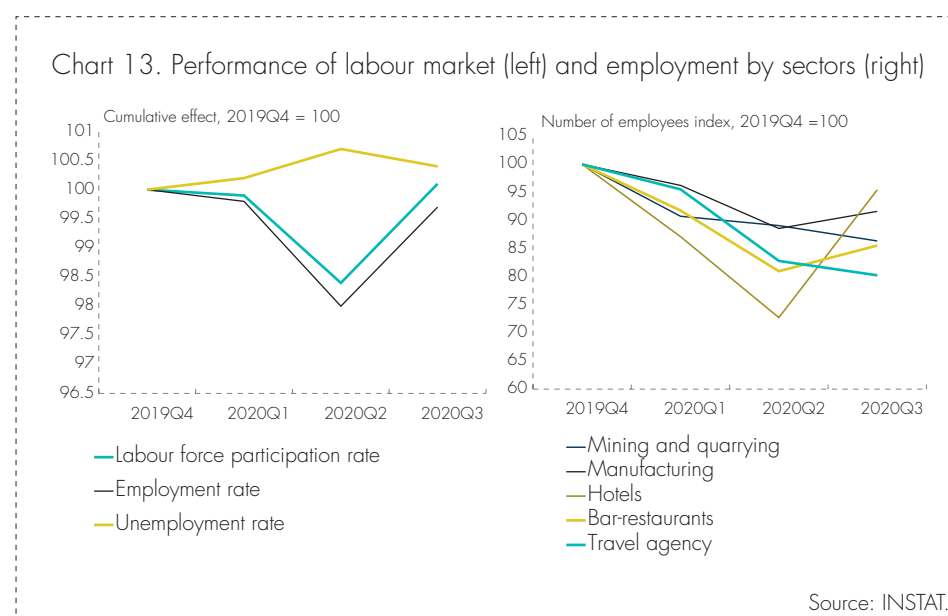
Employment was down; the unemployment rate was up, while pressures on wages increase were low during the first nine months of 2020.

According to the Labour Force Survey, employment contracted by 1.2% and the unemployment rate jumped to 11.6% during the first three quarters of 2020. The fall of employment was sharper in the second quarter, when the number of employed persons was reduced by 33,235 individuals, driving the number of lost jobs to 50,035, during the first half of 2020. Economic activities mostly affected by the fall in employment were those of hotels; bar-restaurants, travel agencies and tour operators, manufacturing, mining and quarrying⁶. The alleviation of restrictive measures in the third quarter coupled

⁶ Referring to the index data of employed persons from Short-term Statistics.



with more dynamic activity of services during the summer season bolstered the return of in-active persons to the labour market, which led to an increase in employment of 34,224 individuals. Nevertheless, the number of employed persons in the economy remains lower than a year earlier, and the recovery of jobs were not complete.⁷



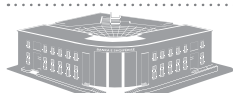
Contraction in employment was accompanied by an increase in the unemployment rate, from 11.2% in 2019 Q4, to 11.4% and 11.9%, respectively, in 2020 Q1 and Q2. The unemployment rate dropped to 11.6%, in 2020 Q3. Although, it remains at its highest rate since the beginning of the pandemic.

The increase in the unemployment rate was contained for two reasons: first, the fall of employment was mostly channelled to an increase in in-active persons, which drove to a decrease of participation in the labour force⁸; and second, the measures implemented by the Government⁹ to support the labour market

⁷ Also, the administrative data show developments in the labour market are in line with the data from the survey. Also, administrative data show that the quarterly performance of employment in the economy improved during 2020 Q3, mainly driven by an increase of employment in the private agricultural sector, although remaining below the levels recorded in the previous year.

⁸ The labour force is the number of people who are employed plus the unemployed in an economy and the participation in it, differently known as the rate of activity in the labour market. It is calculated as the ratio of labour force to the working-age population. As long as the decrease of employment, is not accompanied with an increase in the number of employed at the same degree, the labour force falls. It should be taken into account that the collection of statistical information was affected also by the measures taken to contain pandemic spread in Albania, reflected in a lower degree of responses in the Labour Force Survey or delays in reporting regarding the registered data, also the needed time to receive the unemployment status or restrictions to search actively a job.

⁹ Referring to financial packages and programs on employment bolstering, cited also in Box 1 "Impact of measures taken for supporting lending during the Covid-19 pandemic" in the Quarterly Monetary Report 2020/III.



and protect employment have helped in mitigating the negative impact on this market.

In the presence of a higher unemployment rate, pressures on the increase of wages were low. The gross average monthly wage for an employee was higher than in 2019, but the pace of increase slowed down. The indicator slowed the annual growth pace to 2.7%, from 4.3% recorded in the first nine months of 2019. This growth rate in real terms was around 1.0%, down from the real growth of 2.9% recorded in the same period of the previous year.

BOX 2: SOME ASSESSMENTS ON THE IMPACT OF THE PANDEMIC ON ECONOMIC ACTIVITY AND EMPLOYMENT

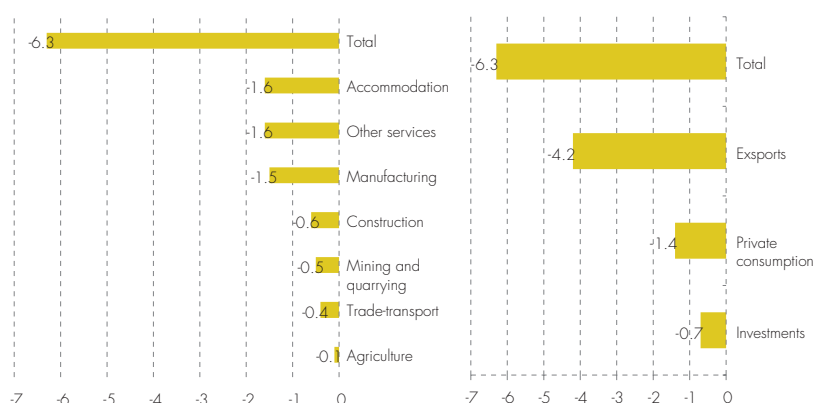
This Box assesses the negative effects of the pandemic and the restrictive measures taken to safeguard public health in 2020, as well as the contribution of these effects to the contraction of GDP and the labour market. In parallel, the indicators of confidence and uncertainty are briefly analysed.

Assessments of the pandemic effect on the real growth of GDP.

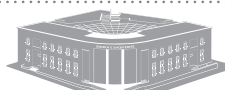
Assessments of shocks from the pandemic are calculated for private consumption, as well as investments and exports. These have taken into account the impact of restrictive measures on each component of aggregate demand. Further, through the application of Input-Output tables the impact of these measures on GDP is filtered¹. In more concrete terms, for private consumption, the assessment is based on the sectoral sub-components of consumer demand, which were affected by the lockdown and restrictions on the activities of bars and restaurants, public and private transport; the international transport of travellers, etc.. For investments, assessment is based on the performance of the construction sector and the import of capital goods. For the export of goods and services, assessments are based on real indicators of the trade in goods and services.

Based on this methodology it comes out that the pandemic had a direct negative effect of 6.3% in annual terms, in the first three quarters of 2020 (Chart 14, left). This assessment does not consider the other connections among components of aggregate demand that cannot be obtained from Input-Output tables.

Chart 14. Assessments of restrictive measures by sector and components of aggregate demand



Source: INSTAT and Bank of Albania.

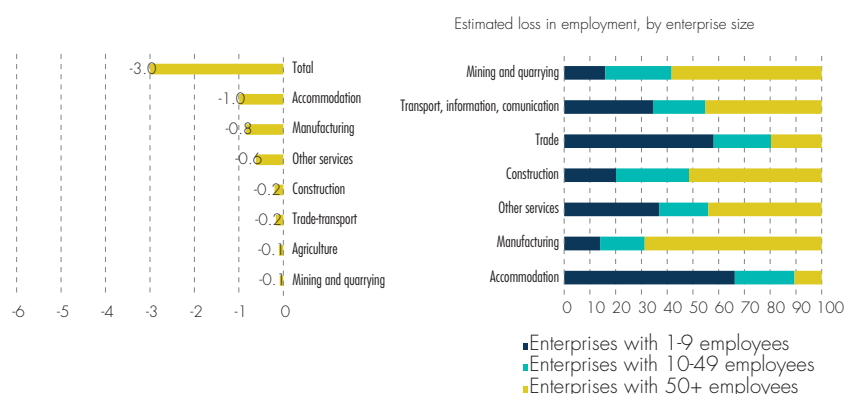


Disaggregated by components, it is clear that exports experienced the sharpest shock, dropping by 40.6%. Meanwhile, components of domestic demand, private consumption and investments (mainly private ones) have fallen by 4.5% and 5.8%, respectively, in annual terms. In sectoral terms, "Accommodation and manufacturing" have suffered the strongest shock.

Assessment of negative effect in the labour market

By using, as a basis, the impact being assessed above and in compliance with the approach of social accounting matrices, the effect of the shock on employment is assessed at around -3.0% in annual average terms (Chart 14, right). This shock is assessed to have mainly affected employment in the activities of "Accommodation", "Manufacturing" and "Other services" (Chart 15, right). By the size of enterprises, the fall of employment is assessed respectively: 39.6% in enterprises with more than 50 employed persons, 39.5% in enterprises with 1-9 employed persons and 21.0% in small enterprises (Chart 15, right)¹¹.

Chart 15. Assessment of the negative impact on employment and by size of enterprises*

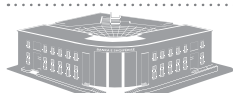


*In the assessment, it is employed the information on the number of employed persons by the Structural Questionnaire of Economic Enterprises, 2019.
Source: INSTAT and estimations of the Bank of Albania.

The aid packages of the Government and programs undertaken in relation to employment¹¹ have mitigated negative shock on the labour market. They have aimed at supporting, with income, employees mostly affected by the restrictions in place and at the preservation of their jobs.

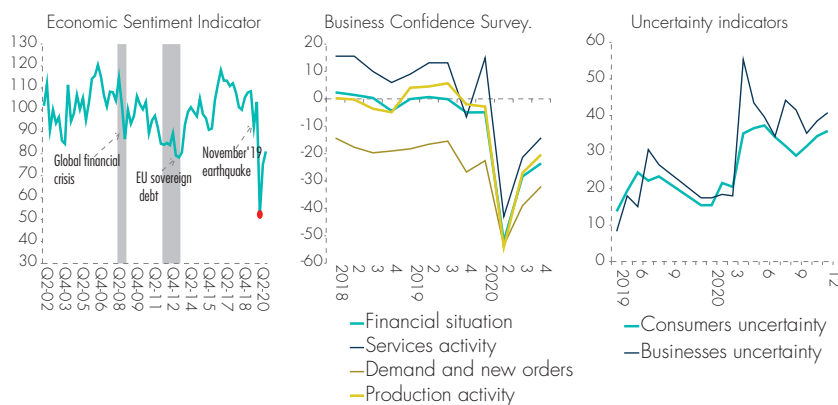
Effect of restrictions on the confidence and uncertainty indicators

The speed and severity of the impact of the containment measures affected negatively the confidence of consumers and enterprises and increased their uncertainty for the future. The Economic Sentiment Indicator (ESI) recorded its lowest historical level in the second quarter of 2020. Enterprises reported the imposed closure of activity, the fall in both domestic and foreign demands, as well as problems in the supply chain and in the circulation of employees as responsible for the drop in activity in productions and services, in the reduction of employment and in the worsening of the financial situation. On their side, consumers were more pessimistic about the future, mainly affected by negative expectations for employment, while increased prudence in spending was reflected in a decreased onward assessment for major purchases.



The gradual alleviation of measures led to improvement in economic agents' confidence, as shown by an increase in the Economic Sentiment Indicator which recuperated almost 85% of the fall recorded in the second quarter. Confidence indicators evidenced improvements in all aspects of activity: demand, employment and the financial situation. In parallel, the indicators of uncertainty, after the notable increase in the second quarter, recorded lower values in the next quarter.

Chart 16. Indicators of confidence and uncertainty to consumers and enterprises*



*Aggregated balances and simple arithmetic average of balances for each sector.

Source: Business Confidence Survey, Bank of Albania.

ⁱ For methodological details see the research paper "Analyses and structural developments of the Albanian economy: an approach by Social Accounting Matrices and Box 3 "A methodology for assessing the impact of shocks in economy" in the Quarterly Monetary Policy Report 2020/II.

ⁱⁱ Based on the information from the Structural Questionnaire of Economic Enterprises, 2019.

ⁱⁱⁱ In concrete terms: the first financial package "Support to small enterprises and citizens"; second package "Support to entrepreneurship and employees"; sovereign guarantee instruments; work programmes of the Government to support the employment of persons who lost their jobs from the pandemic situation, in 4-, 8- and 12-month periods (DCS No. 144, Council of Ministers' Decision No. 608, dated 29.7.2020 and Decision No. 164, Council of Ministers' Decision No. 699, dated 10.9.2020).

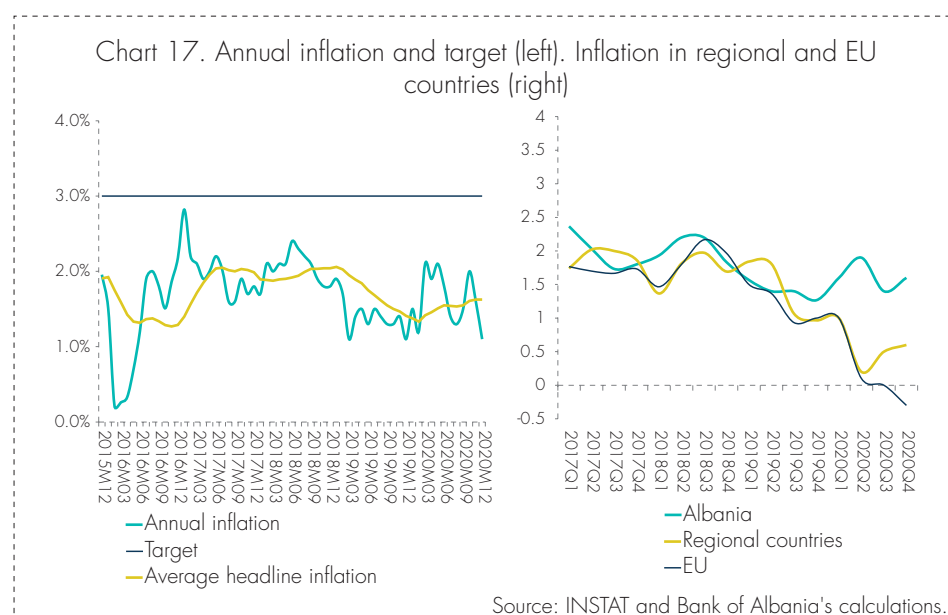
2.1.4 INFLATION AND ITS DETERMINING FACTORS

Annual inflation stood at low levels and below the 3% target in 2020. Inflationary pressures were low in view of a weak demand, spare capacities in the economy, and the low inflation rates in partner economies. Inflation was volatile, mainly driven by food prices. On the other side, measurements of inflation which exclude prices with high fluctuations, maintained stable levels.

Annual inflation in 2020 averaged 1.6%, in parallel being affected by both short-term supply-side shocks, with a raising impact, and by the contraction



of demand, which had a negative effect on inflation. A slight increase of inflation from 2019 reflected a more complete transmission of import prices into final prices due to a more depreciated exchange rate. Nevertheless, the fast worsening of the cyclical position of the economy is assessed to have had an impact, in the short run, on weak inflationary pressures from the domestic economy. The gradual recovery of the economy and the increase of external inflationary pressures are expected to drive inflation to return to a rising trajectory, up to the target in the medium term.

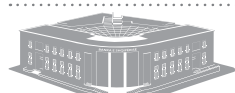


Both domestic and external inflationary pressures were weak in 2020. The most volatile components of inflation were seen in large swings in the prices of oil and food commodities in international markets. Meanwhile, long-term and domestic components of inflation were stable, providing an important contribution of 60% to the formation of headline inflation.

Depreciation of the nominal effective exchange rate, in 2020, provided a more complete transmission of external pressures to inflation. Nevertheless, the latter was quite low this year. Domestic demand factors, in the form of increased spare capacities in the economy and a slowdown in private consumption, have dictated low domestic inflationary pressures. Inflationary expectations recorded a slight increase in 2020, at around 2.5%, remaining close to the historical average value.

Inflation was volatile, mainly affected by food prices.

Categories of foods formed around 90 % of headline inflation. The category **"Unprocessed foods"** had the main role in this regard. Their prices fluctuated considerably during the year. In the lockdown period, prices in this category increased rapidly, affected by demand-supply imbalances and heightened difficulties in trade and supply. In relation to the latter, replacement of containment



measures, at the end of year, affected a fall in demand for unprocessed foods against the unchanged supply, which was reflected in the low inflation of December (1.1%). The category **“Processed foods”**, overall, was characterised by a stable positive contribution during the year.

The other categories made a low contribution to headline inflation. The category **“Non-food consumer goods”** provided a contribution of negative values to inflation in the year. This performance reflected a considerable fall in oil prices in international markets. The prices of other more stable components of inflation, which include housing, services and long-term consumer goods prices, increased their contribution to headline inflation. The category **“Housing-rent”** provided the main contribution in this increase. The other categories maintained their low contribution, almost equal to the one in the previous year.

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

	Avg. 2016	Avg. 2017	Avg. 2018	Avg. 2019	Q.1'20	Q.2'20	Q.3'20	Q.4'20	Inf. 2020 (%)
Processed food	0.2	0.3	0.2	0.2	0.4	0.5	0.5	0.5	1.9
Bread and grains	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	1.8
Unprocessed foods	1.1	1.2	1.0	0.9	0.8	1.2	0.8	1.0	5.5
Fruits	0.5	0.4	0.2	0.1	0.7	0.7	0.5	0.2	15.2
Vegetables	0.6	0.7	0.7	0.8	0.2	0.4	0.2	0.6	5.2
Services	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.3
Goods with regulated prices	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.1
Housing lease	0.1	0.0	0.4	0.1	0.2	0.3	0.3	0.3	1.6
Non-food consumer goods	-0.1	0.1	0.3	0.1	0.0	-0.2	-0.2	-0.4	-2.7
Fuel	-0.2	0.2	0.2	0.0	0.0	-0.3	-0.3	-0.4	-6.3
Durable consumer goods	0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.1	1.5
Inflation (%)	1.3	2.0	2.0	1.4	1.6	1.9	1.4	1.6	1.6

Source: INSTAT and Bank of Albania.

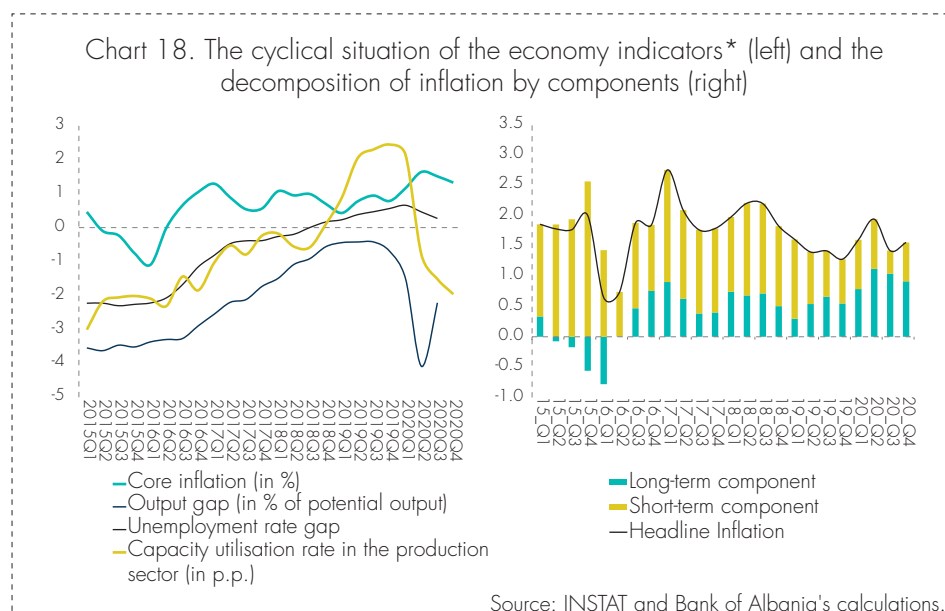
*The table shows some of the main groups of items.

The cyclical position of the economy worsened by generating weak inflationary pressures

The negative shock is assessed to have shifted the economy from its long-term potential, by considerably expanding the negative output gap. This gap reached the lowest point in 2020 Q2, and has been improving in the following quarters, in line with the start of economic activity recovery. Indirect indicators for the assessment of cyclical position, the unemployment rate and the capacity utilisation rate, also show that the economy is operating with spare capacities. Thus, the unemployment rate continues to be above the level recorded in the previous year, and utilisation of production capacities below the average level.



Inflationary pressures remain insufficient for the return of inflation to target, notwithstanding the increase in contribution of the long-term component in the formation of inflation rate.

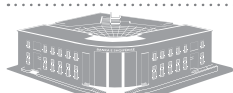


2.1.5 BALANCE OF PAYMENTS AND EXTERNAL POSITION OF THE ECONOMY

The external position of the country worsened in 2020 and current deficit expanded, in reflection of a fall in export and income flows. The fall of foreign direct investments and the expansion of borrowing in foreign currency have made an increased contribution to debt-creating flows in current deficit funding. Given the growth of borrowing in foreign currency and a fall in exports and tax revenues, indicators of long-term repayment ability in relation to foreign debt showed deterioration.

The current deficit to GDP ratio expanded to 8.5% during the first three quarters of 2020, from 8.0% in 2019.

The expansion of current deficit mainly reflected an annual fall in the export of services. The latter was considerably affected by a drop in the exports of tourism given the restrictions in place on the movement of citizens. On the other hand, the deficit of goods account fell by 8.6%, in annual terms, reflecting the stronger contribution of imports contraction. Inflows of "Compensation to employees", which are closely related to the seasonal employment of Albanian citizens abroad, were reduced over the year as whole. As with the performance of services export, restrictions on the free cross-border mobility made the main negative impact. Remittances were around 9.6% lower than the first nine months of 2019. Nevertheless, their fall was concentrated in the first half of the year. In



the third quarter of 2020, remittances grew by 6.9% in annual terms. Difficulties in the labour markets in countries where Albanian emigrants mainly live seem to not have considerably impacted negatively the flow of remittances to Albania.

Debt-creating flows increased their contribution to funding the current account deficit.

The impact of the pandemic coincided with the entry into the final stage of major projects in the field of energy, as it established non-favourable premises to the performance of Foreign Direct Investments (FDIs). The annual fall in inflows was 16.8% in the first nine months of the year. Given the expansion of current deficit coupled with the reduction of funding flows of foreign direct investments, the debt-creating flows have expanded their funding contribution. Also, it reflects the issue of Eurobond in the second quarter of year, which expanded the foreign debt liabilities of Albania.

Foreign debt stability indicators have temporary worsened, but the high levels of international reserve provide assurance for dealing with the possible contingencies.

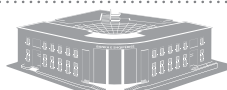
Foreign debt stock is estimated at EUR 8.829 billion at the end of 2020 Q3, with an annual growth 6.1%. Its ratio to nominal GDP stands at 68.5%, from 60.4% at the end of 2019. "General Government" continues to be the main holder of foreign debt, having a share of 49.7% to total. Term structure of debt continues to be oriented towards long-term debt, accounting for around 94.0% of total.

The expansion of foreign debt stock coupled with the reduction of exports and fiscal revenues caused a worsening in long-term repayment ability indicators. The ratio of debt stock to the exports of goods and services expanded to 212.2% at the end of 2020 Q3, from 153.7% at the end of the first quarter. The ratio of debt stock to fiscal revenues expanded to 251.1%, from 220.2% at the end of 2020 Q1.

On the other hand, the stock of foreign currency reserve was sufficient to counter the short-term pressures. In December, the stock was sufficient to cover 9.2 months of imports of goods and services or 3.5 times higher than the short-term gross external debt.

2.1.6 FINANCIAL MARKETS AND MONETARY INDICATORS

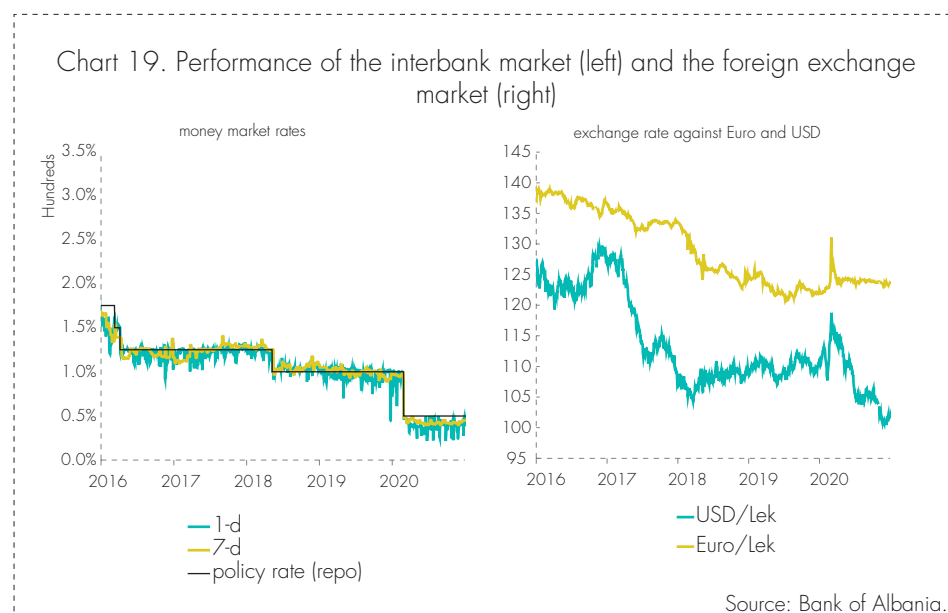
Financial markets have functioned normally by enabling a good transmission of monetary stimulus into the economy. The timely reaction of the Bank of Albania helped to reduce uncertainties, contain liquidity premia and maintain low interest rates. The eased financial conditions, in addition to the supporting lending policies of the Bank of Albania and Government, contributed to the growth of funding to the private sector. The expansion of credit is also supported



by the good performance of funds collected by banks. Lending activity has mainly supported the enterprises in their investment purposes.

The interbank rates ranged close to the policy rate and showed low volatility in accordance with the operational target of the monetary policy.

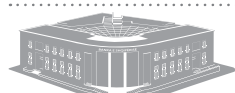
Interbank interests showed immediate transmission of the reduction of the policy rate in March. Liquidity premia were contained, attributable to the sound balance sheets of banks and the policy on liquidity injection of the Bank of Albania. Auctions of 7-day Repo, since the end of March 2020, are held at an unlimited amount and fixed rate. Also, liquidity deficit, although rising from the previous year¹⁰, has not threatened the transmission of monetary policy stimulus to the market. Its growth has reflected an increase in the share of injecting operations with 1-3 months maturity.



The foreign exchange market was characterised by a stability of lek against the euro, its appreciation against the US dollar, and foreign currencies were traded within normal market parameters.

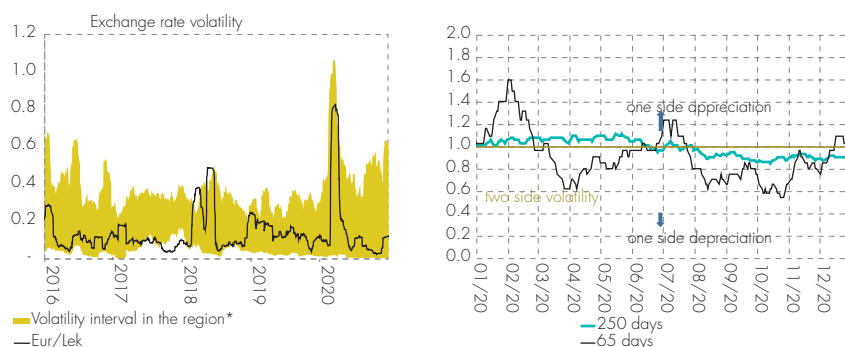
In 2020, the euro was averagely quoted at 123.8 lek/eur, with a lek depreciation of 0.6% from 2019. Trading parameters of the European currency in the domestic market appear stable; volatility indicator and quotation spreads have resulted close to their normal values. At the same time, daily volatilities of the exchange rate were almost two-sided, showing a balancing of agents' positions for purchase and sale in the market. The usd/lek exchange rate fell to 101.6 lek/usd in December, from the average 109.9 lek/usd in 2019, in reflection of the weaknesses of the US dollar in the international market.

¹⁰ In 2019, liquidity deficit reflected a decrease in financing needs as a result of lower Government demand driven by the issue of Eurobond and the effect of the regulation on holding the required foreign exchange reserve in the original currency.



The stability of the eur/lek exchange rate reflected a balanced demand/supply ratio in this market. The considerable fall in trade that followed the closure of domestic economies and of partner countries led to the contraction of trade deficit in the first half of the year. On the other hand, foreign exchange inflows from tourism showed low levels. Capital and financial accounts flows enabled the meeting of the economy's needs for foreign financing.

Chart 20. Indicators of pressures in the foreign exchange market*



* measured using the exchange rates of CZK, HUF, RON, PLN and RSD against Euro.

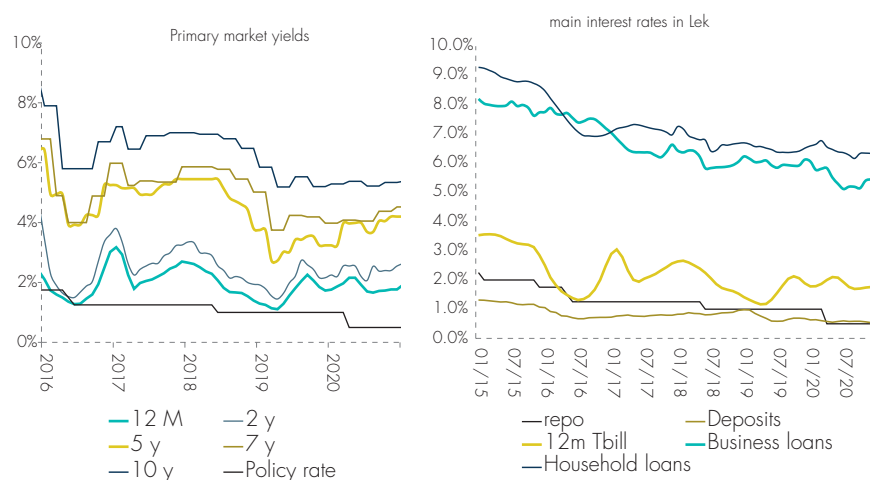
*The indicator of appreciation/depreciation bias is calculated as the ratio of the number of days when the exchange rate is appreciated against the number of days when the exchange rate is depreciated, over a moving time horizon, varying, for example from 22 days (calendar month) to 250 days (one calendar year). The value of this indicator represents the equilibrium value, where the number of days when the exchange rate is appreciated is equal to the number of days when the exchange rate is depreciated and shows that there were no appreciation/depreciation biases in the market. If this indicator is above 1, then there are signals for one-sided pressures for appreciation in the market and vice versa.

Source: Bank of Albania, respective central banks.

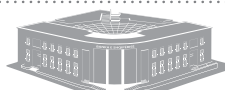
In 2020, yields on government securities fluctuated at slightly higher levels than in the previous year.

This increase was mainly notable in the first half of year. In average terms, premia mainly increased for short- and long-term maturities. The 12-month yield was 1.9%, up from an average of 1.6% in 2019. The increase in 2- to 7-year maturities was around 0.4 percentage points on average. The 10-year yield

Chart 21. Performance of yields in the primary market and interest rates in lek



Source: Bank of Albania.



has remained stable for almost two years. This performance of yields has shifted in a slightly upward curve, with a pronounced convex shape on medium-term maturities compared with the previous year.

Interest rates on loans in lek declined during the year, supporting financing to the private sector.

The increase of monetary stimulus and optimum liquidity conditions in the banking system have provided for low interest rates on loans. Sovereign guarantee schemes have contributed to the decrease of funding costs with bank loans to enterprises. Average interest rates on loans to this segment were 5.4%, from 6.0% in the previous year. Interest rates on loans to households recorded a marginal decrease to 6.4%, on average. The lack of liquidity pressures and the further growth of deposits have also enabled decreasing costs for the latter to the banking system, at 0.6% in 2020.

Credit to the private sector recorded a stable annual growth rate, of around 6.8%, on average, in 2020.

The sovereign guarantee schemes and the eased measures implemented by the Bank of Albania have broadly supported the expansion of credit to enterprises and households facing difficulties. Credit to enterprises provided the main contribution to the growth of loans to enterprises, by around 4.6 percentage points (62%). This segment was the focus of the measures undertaken, and a considerable part of this credit was channelled to investment financing. Credit for liquidity purposes has slowed down the growth rate, by providing a low contribution to the expansion of loan portfolio to enterprises. Loans to households contributed by 2.2 percentage points (38%) to the growth of credit to the private sector. This performance shows the high contribution of mortgage loans, supported by a favourable supply from banks for this product and an improved loans demand for house purchase from households. On the other hand, the performance of consumer loans was sluggish, affected by both a fall in consumption and heightened uncertainties.

Loans by currency show a rapid growth of loans to the segment of domestic currency. The credit portfolio denominated in lek recorded an annual growth rate of around 10.5%, on average, over the year, contributing by 5 percentage points to the expansion of credit to the private sector. The implemented accommodative policies have impacted the orientation of lending in the domestic currency. The performance of credit in foreign currency was sluggish. This portfolio recorded an average annual growth of around 3.4% over the year, providing a contribution of 1.8 percentage points to the expansion of credit to the private sector.

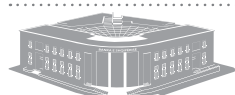
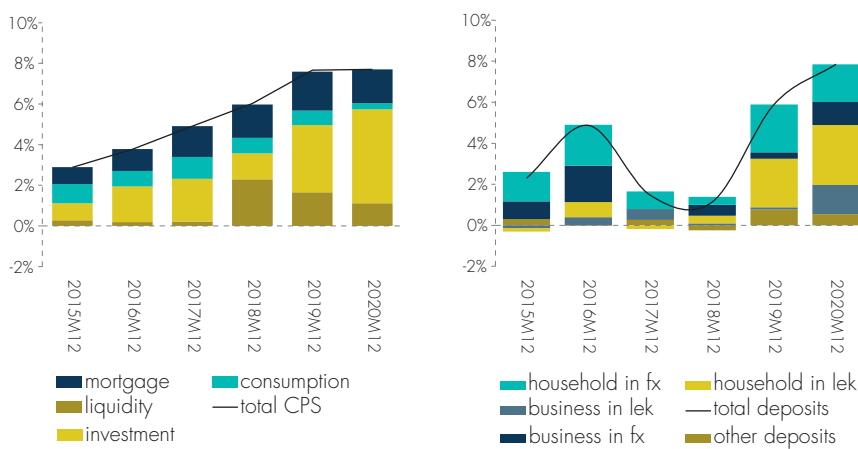


Chart 22. Credit to the private sector and deposits of banks



Source: Bank of Albania.

Deposits in the banking system recorded an annual growth rate of around 6.7%, on average, over the year.

Deposits in lek led this expansion, contributing around 3.7 percentage points to the annual growth of total stock. Deposits in lek have mainly been in the form of households' deposits. Meanwhile, an increase in the deposits in lek of enterprises is noted at the end of year. Deposits in foreign currency recorded an average annual growth of 6.1% over the year. In line with seasonal behaviour, their higher expansion was more notable in August and December. This expansion reflects both the increased activity of enterprises and seasonal flows in the form of remittances.

The term structure of deposits reflects further shift towards liquid components. The fast growth of demand deposits further increased their ratio to total deposits, at around 51.8%, as at the end of the year. This behaviour is in line with the low interest rates and the increased uncertainty¹. These factors have also affected the slowdown of the growth rates of deposits with maturity term over two years. The latter, unlike the previous year, have reduced their share to total deposits, to 13.1%, as at the end of the year.



BOX 3: THE FINANCIAL SYSTEM IN THE FACE OF SHOCK FROM THE PANDEMIC

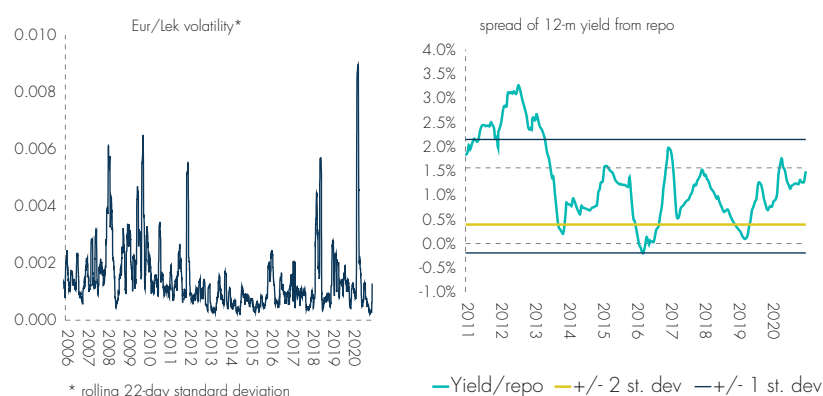
This box is dedicated to the reaction of the financial system against the shock from the pandemic, following Box 2. The financial system proved able to counter the strong negative shocks by simultaneously serving as a powerful support to the economy. This was a different experience from previous shocks following which the system strengthened the negative effects to the economy, by turning making the recovery stage more difficult.

The ability of the financial system to successfully withstand this shock and play an intermediating role, is a result of its enhanced stability, its maturity in years and the strengthened confidence of the economic agents within it. At the same time, the well-coordinated (monetary, macro-prudential/supervisory and fiscal) policies undertaken in a timely manner to mitigate potential risks provided a significant contribution in this regard. Hence, (i) the foreign exchange market appeared stable; (ii) risk premia were contained; (iii) the financial system had ample liquidity and did not suffer any deposit withdrawals; and it supplied the needed financing to the private sector. Each of these dimensions is briefly addressed following:

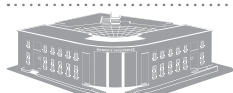
(i) The foreign exchange market was stable.

The implementation of containment measures in March was immediately reflected in the foreign exchange market. In a short time, lek depreciated considerably and exchange rate volatility increased. The effective and timely intervention of the Bank of Albania was successful for the cessation of uncertainties. The contained psychological reaction of market agents and the broader public also provided an impact in this regard, by reflecting their enhanced confidence in the domestic currency. The eur/lek exchange rate was stabilised within the next month, in line with the new macroeconomic landscape. The stability of the foreign exchange market in the face of this shock is particularly evident when compared to previous episodes of crises. For example the crisis of 2008-2009, in addition to the considerable depreciation of lek due to the worsening of the foreign position of economy, was accompanied by an increased volatility of the exchange rate for a two-year period.

Chart 23. Volatility in foreign exchange market (left) and 12-month prim yield against the policy rate (right)



Source: Bank of Albania.



(ii) Risk premia were contained

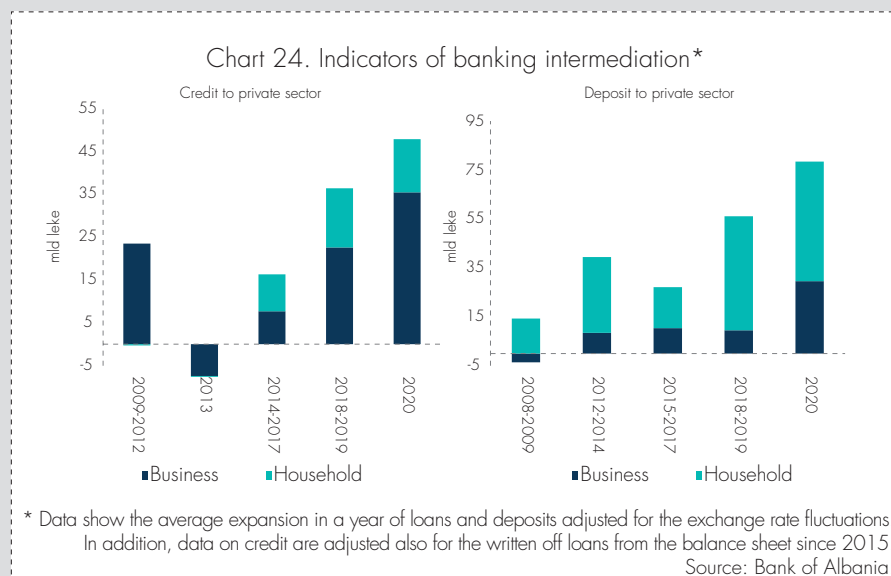
Risk premia in the banking system were contained although uncertainties increased. The supply with unlimited liquidity through one-week repo avoided a possible increase in liquidity risk. Meanwhile, the augmented pressures on risk premia of credit were mitigated through macro-prudential, supervisory and fiscal measures. Clear and continuous communication with the market through forward guidance helped flatten uncertainties about interest rates. All these factors, in addition to the cut of the policy rate, contributed to a fall in interest rates applied on loans to the private sector this year. Ample injection of liquidity and the prudential approach of banks enabled the market to absorb the domestic debt of Government, with no considerable increase of cost and with no impact on financing costs to the private sector.

(i) The financial system was liquid

Previous experiences have shown that shocks to the financial sector may be accompanied by massive withdrawals of deposits and liquidity problems to banks. Our banking sector experienced such events at the beginning of its establishment and during the global financial crisis. During 2008-2009, within a six-month period, around 10% of total deposits were withdrawn due to the public perception of an increased risk from the global financial crisis. Meanwhile, in 2020, at no moment was there noted either withdrawal of deposits or any problem with the liquidity of banks. On the contrary, deposits have continued to grow, reflecting the orientation of households' behaviour towards savings and the strengthening of confidence in banks.

(i) Credit to the private sector increased

Shocks to the financial sector are frequently reflected in a hesitation from banks to finance the economy. Banks showed such a reaction against the sovereign crisis in the euro area in 2011-2012. That crisis, firstly drove the credit portfolio to shrink by 5%, and then to its weaker performance for some years. Developments in 2020 show a different view of lending activity. The measures undertaken by the Bank of Albania and the fiscal authority provided for lending channel to function smoothly. Credit to the private sector grew in spite of an increase in uncertainty and a worsening of economic conditions.



Bank of Albania. Data show the average expansion in a year of loans and deposits adjusted for the exchange rate fluctuations. In addition, data on credit are adjusted also for the written off loans from the balance sheet since 2015.

The financial system appeared able to withstand the negative shock of 2020 and showed sufficient elasticity to support the economy with financing, showing a difference from previous episodes of large negative shocks. Also, the coordinated and timely policies which were undertaken helped to anticipate potential risks that may weigh on the financial system. While the economy will recover, the Bank of Albania will continue to monitor its activity and indicators, aiming to address in a timely manner any potential problems.

Table 2 The main macroeconomic and financial indicators

	2016	2017	2018	2019	2020*
Annual average inflation					
Headline inflation (in %)	1.3	2.0	2.0	1.4	1.6
Core inflation (in %)	0.2	0.8	0.9	0.7	1.4
Economic growth					
Real GDP growth (annual, in %)	3.3	3.8	4.1	2.2	-5.5
Labour Market¹					
Participation rate in the labour force (15-64 years of age)	66.2	66.8	68.3	69.6	69.2
Unemployment rate (15-64 years of age)	15.2	13.7	12.3	11.5	11.6
Fiscal sector					
Budget balance (including grants, % of GDP)	-1.8	-2.0	-1.6	-1.9	-6.9
Budget revenues (as a percentage of GDP)	27.6	27.7	27.4	27.3	26.7
Budget expenditure (as a percentage of GDP)	29.4	29.7	29.0	29.2	0.50
Public debt (as a percentage of GDP) **	72.3	70.1	67.8	66.5	77.8
External sector					
Current account (official transfers exempted in % of GDP)	-8.0	-8.1	-7.3	-8.5	-8.9
Imports of goods (fob, as a percentage of GDP)	30.9	31.3	30.0	29.7	28.2
Exports of goods (fob, as a percentage of GDP)	6.7	6.9	7.7	6.6	5.9
FDIs (as a percentage of GDP)	8.8	7.8	7.9	7.9	7.3
Monetary and financial sector					
Repo rate (end of period)	1.25	1.25	1.00	1.00	0.5
M3 aggregate (annual growth, end of period)	3.9	0.3	-0.2	4.3	10.5
Credit to the private sector (annual growth, end of period) ²	3.1	3.3	1.9	6.9	8.2
Deposit/GDP ³	74.2	71.4	68.7	70.4	80.2
Credit/GDP ³	37.1	36.4	35.3	36.5	41.7
12-month average yield	1.8	2.4	2.0	1.6	1.9
ALL/USD average exchange rate	126.0	119.1	108.0	109.9	108.7
ALL/EUR average exchange rate	136.1	134.2	127.6	123.0	123.8
NEER	110.2	105.2	96.8	92.0	89.9
Banking Sector					
Non-performing loans ratio/total loans (%)	18.2	13.2	11.1	8.4	8.1

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

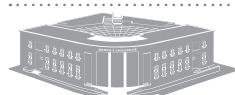
* Data on economic growth for labour market and the external sector are from the first 9 months of 2020.

** Statistical Debt Bulletin, MFE 2020 Q4.

¹ "Labour force survey results", published by INSTAT.

² The data are adjusted for written off loans.

³ GDP assessment for 2020. Data as a ratio to GDO are calculated on this assessment, except for differently specified.



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

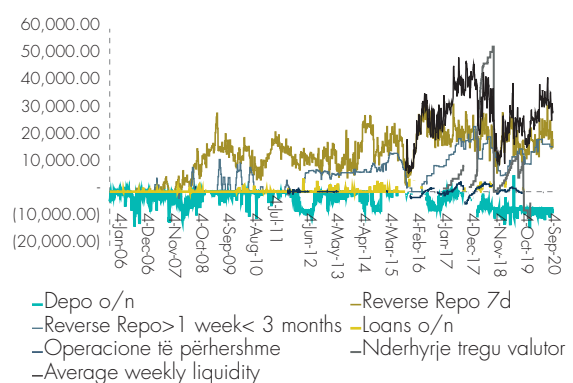
Open market operations are made up of three sub-items: main operations; fine-tuning operations; and structural operations. These are used for short-term management of liquidity in the money market, aimed at accomplishing the Bank of Albania's operational objective - orienting short-term interbank interest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

In its response to the coronavirus (COVID-19) pandemic the Bank of Albania has changed the form of the auction of one-week injection from "variable price" to "fixed price auction", on 11 March 2020. This type of auction affected the reduction of liquidity risk to commercial banks, being reflected in an increase of the average number of participating banks in auctions to seven, from two, in the previous year, and in the decrease of interest rates in the interbank market as a ratio to policy rate at lower levels.

In 2020, the average tradable interest rate in the overnight interbank market was 0.11 percentage point **under** the policy rate, in contrast to an average of 0.02 percentage point **under** the policy rate in 2019, 0.02 percentage point **above** the policy rate in 2018, and 0.03-0.07 percentage point under the policy rate in 2014-2017. The interest rate in the one-week interbank market was 0.06 percentage point **under the policy rate**, against the average 0.01-0.02 percentage point above the policy rate in the two previous years, and 0.02-0.06 percentage point under the policy rate in the period of 2014-2017. Trade in longer maturities than one week continued to be quite rare.

The average liquidity shortfall, during 2020, increased by around ALL 35.0 billion, after falling ALL 28.5 billion, on average in 2019. The growth of currency in circulation was the main factor urging the increase of liquidity shortfall in the banking system.

Chart 25. Banking system liquidity*



*One-week average liquidity (left-hand axis) is the average of one-week injections (BoA's injections through one-day + one-week + 1-three-months + intraday loans reverse REPO agreements) minus (liquidity withdrawals from BoA through one-day + one-week + 1-3-month REPO agreements + deposits).

Source: Bank of Albania.



Reflecting the upward tendency of liquidity shortfall, the share of injections from the Bank of Albania with longer than seven-day maturity, increased to 44% in 2020 from 44% in 2019.

Table 3 Structure of liquidity injection operations by the Bank of Albania

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Main instrument	74%	55%	60%	64%	55%	80.7%	61.6%	54%	61.1%	55.9%
Long-term liquidity	26%	45%	40%	36%	45%	19.3%	39.4%	46%	39%	44.1%

Source: Bank of Albania.

Since the end of 2019, the Bank of Albania has permanently injected liquidity amounting around ALL 12 billion, through the increase of T-bills portfolio, by decreasing the pressures for liquidity shortfall in the banking system. At the same time, the Bank of Albania has almost doubled the SWAP agreements in foreign currency/national currency with the Ministry of Finance.

STANDING FACILITIES

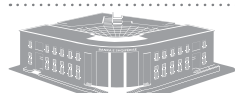
Standing facilities - overnight deposits and overnight loans at the Bank of Albania - are instruments available to commercial banks to manage liquidity on a daily basis and define a corridor in which interest rates fluctuate in the interbank market. After reducing the base interest rate to 0.50%, the Bank of Albania has maintained the interest rate for the overnight deposit facility unchanged at 0.10%, and has reduced the interest rate for the overnight lending facility to 0.90%, by creating a quite narrow corridor of the interest rates.

The instrument of overnight deposits has been used daily, over 2020, with an average of ALL 6.58 billion compared to an average of ALL 6.74 billion in 2019, and ALL 4.55 billion in 2018. In 2020, the use of overnight loans decreased to only one case, compared to 16 cases in 2019 and 42 cases in 2018. The increase in forecast quality and the decrease in the cost of excess liquidity affected the maintaining of the downward trend in using this instrument.

REQUIRED RESERVE

The required reserve is an instrument through which the Bank of Albania aims to adjust money supply, liquidity situation in the system and manage the interest rates in the interbank market. It implies the placement of a certain amount of reserve in Lek and in foreign currency of commercial banks with the Bank of Albania.

No amendments took place in the Regulation on the required reserve during 2020. We recall here, that the 1-year temporary period, when the regulatory amendments of 2018, aimed at increasing the use of national currency were implemented, ended in 2019. The Bank of Albania decreased the mobilisation rate for the required reserve in lek to 5.00% and 7.50%, from 10% in the previous year, and increased the mobilisation rate for the required reserve in foreign currency to 12.5% and 20.0%, by applying a higher rate for



banks which have a higher exposure from liabilities in foreign currency. The remuneration of required reserves in lek accounts was decided to be equal to the policy rate from 70% of it was previously.

No regulatory changes have taken place in the remuneration of required reserve in foreign currency accounts and of banks' surpluses at the Bank of Albania. 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 2020 remained unchanged, at -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 2020, as in the previous three years. On the other hand, the remuneration interest rate of the surplus reserve in euro remained 0.25 percentage points lower than the interest rate of the deposit of the European Central Bank set in 2016.

2.3 FINANCIAL STABILITY AND MACRO-PRUDENTIAL POLICY

As the responsible authority for the supervision and regulation of the banking sector and consequently the major part of the financial system, the Bank of Albania plays a primary role in drafting and implementing the macro-prudential policy. Macro-prudential policy consists of all the measures, mainly prudential, that aim to prevent and mitigate systemic risks to the financial system, safeguarding in this way the financial stability of the country. The purpose of a considerable part of the macro-prudential measures is to strengthen the resilience of the financial institutions, so they can face situations of stress and economic, financial crises, and continue to carry out their role as financial intermediaries fully and in the most qualitative manner.

The work of the Bank of Albania towards preserving financial stability and implementing macro-prudential policy is concentrated in the meticulous analysis and monitoring of the developments of the financial system and the identification and assessment of systemic risks; pursuing medium-term and long-term objectives of the institutions on completing the regulatory and methodological macro-prudential framework; and, in particular, taking measures to ease the financial system and borrowing entities from the negative effects of the pandemic, restrictions and economic slowdown that characterised the major part of 2020.

During the second half of 2020, specific surveys were conducted regarding the expectations of banks in relation to the performance of assets quality. Also, there were timely observations carried out in relation to the financial situation and borrowing of households and enterprises, real-estate market performance and the perception of systemic risks by the banking sector. The package of stress-test exercises was enriched by a special module on the scale of interconnectivity between banks and exposure between banks and the largest borrowers of the sector.¹¹

¹¹ The results of this exercise together with some specific recommendations related to stress-test exercises carried out by banks are published in the Financial Stability Report 2020 H1.



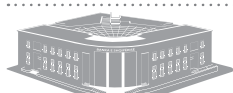
A significant commitment to enrich and develop the methodological and regulatory framework in the area of financial stability and macro-prudential policy was the successful implementation and completion of the activities laid down in the Twinning Project “Enhancing Bank of Albania’s alignment with EU Acquis”. The activities of the financial stability module handled important aspects such as the methodology of determining the capital buffers for systemic risk, indicators and methodology for assessing the risks from real-estate market, improvement of de-euroisation policies, drafting of risk indicators from the interconnection between the banking sector and investment funds, as well as drafting a comprehensive document on macro-prudential policies and guidelines on the approximation with the European Board of Systemic Risk recommendations.

2.3.1 FINANCIAL STABILITY AND BANKING ACTIVITY

Despite the difficulties of 2020, the domestic financial system and banking sector have continued to operate in stable conditions, maintaining not just the quantity and quality of the financial intermediary services, but also expanding the range of other activities related primarily to payment services and electronic transfers. The size of the financial system as a ratio to GDP increased above 110%, due to the notable difference in the growth rates of the financial system’s balance sheet and the economic activity. The main indicators of the banking system activity, with the exception of the profitability indicator, have remained stable or have recorded slight but clear improvements during the year. The assets of the financial system expanded and within them the balance sheet of the banking sector grew by around 7%. The increase on the side of the banks’ assets was determined by the expansion of investments in securities, while credit stock of banks expanded by 6%. As for the liabilities, the growth was determined by the considerable increase of customer deposits in the banking sector.

The financial result of the banking sector for 2020 was positive (ALL 17 billion), 15% lower compared with the previous year. The level of capitalisation of the banking sector remains good, over 18%. The quality of credit improved slightly over the year, where the non-performing loans ratio (NPLR) declined to 8.1%, as at the end of the year, from 8.4% in the previous year. The fall of NPLR reflected the higher increase in outstanding loans (5.7%) in comparison with the increase in outstanding NPLs (2.5%). Over 2020, the measures taken to assist banks in dealing with loans of borrowers in temporary financial difficulties and to restructure loans, created the space for stabilising the overall level of non-performing loans. However, the effects of the shock in the economy within non-performing loans appeared in the increase of share of loss loans portfolio.

The direct exposure of the banking sector activity to market risks remains under control, but some of these risks indicators have shown upward trends. The



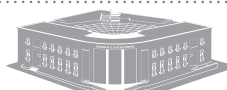
exposure of banking sector against the risk of strong exchange rate volatility is limited since opened positions, for total currency and special currencies, obviously remain under the upper regulatory threshold. Indirect exposure against the exchange rate risk recorded a decrease, since the volumes as well as the unhedged credit share in foreign currency have continued to decrease. Overall the share of transactions of the banking sector in foreign currency recorded a stronger decrease in 2020, in comparison with credit and deposits in foreign currency. At the same time, the share of the banking sector asset of non-resident claims, kept in foreign currency, has fallen significantly. The interest rate risk continues to remain present and has further increased during the entire year, primarily due to the gap expansion between assets and liabilities with fixed interest rate.

2.3.2 SYSTEMIC RISKS

The periodic assessments of the Bank of Albania based on the performance of Macro-prudential Map¹² indicators show that the exposure of the banking sector and other segments of the financial system, which these indicators are able to cover, remain contained. In 2020, and especially during the first half of the year, the interbank market and foreign exchange market showed temporary volatilities related with the short-term demand - and/or supply-side shocks. The corrective actions of the Bank of Albania have avoided disorders in the foreign exchange market and have supported the situation for necessary liquidity in the interbank market.

The indicators used to monitor the risks related to credit and debt expansion, signal that in 2020 these risks were mitigated and far from levels which require intervention with macro-prudential measures. The increase of outstanding credit given the contraction of economic activity during the major part of the year, has driven the main indicator measuring this risk – ‘lending to the economy/GDP’ ratio gap - to increase at -6.3% in the third quarter of the year from the average level of -7% in the last decade. Despite the gap tightening, determined primarily by GDP performance, the complementary indicators of this risk suggest that, overall, credit performance is still far from the levels that show overheat and the comparative threshold that would require the increase of counter-cyclical capital buffer over the current 0% level. A development that holds the attention of the Bank of Albania in this regard is the price and real-estate rent performance, and the credit granted to enterprises and households to finance real-estate purchase and investment. This type of credit registered a positive and relatively high increase, but which was comparable to other types of loans and credit in overall. On the other hand, the annual change in

¹² This analysis is currently prepared only for internal use. Based on the analysis of systemic risk performance classified according to intermediary objectives of macro-prudential policy, this analyses orients the decision-making of the Supervisory Council of the Bank of Albania on the need to implement new measures or modify/remove the existing measures of a macro-prudential nature.



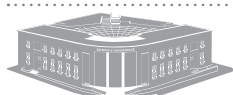
prices and real-estate rent during 2020 was somewhat higher compared with previous periods. The performance of this market, exposure of banking sector to it and the performance of debt burden on economic agents continue to be monitored and analysed by the Bank of Albania.

The second intermediary objective of the macro-prudential policy is the mitigation of the excessive mismatch maturity and lack of liquidity in the market. Despite a downward trend, the main liquidity indicators of the banking sector continue to notably remain above the minimum level provided for in the Regulations of the Bank of Albania. The indicator of mismatch maturity and the situation of liquidity in the market continue to signal increase of risk, particularly to assets and liabilities in the short run. A security lever for facing this risk is the high level of liquid assets in banks' balance sheets, although the feature of their liquidity is determined, in the last stage, by the depth of the market where they may be exchanged if need arises. The lowering of base interest rate and the support to the interbank market with unlimited liquidity from the Bank of Albania, have contributed to maintain the interest rates in low levels in the money market and the stability of spreads. The concentrations according to the dimensions covered by the Macro-prudential Map remain in limited levels and have decreased during the second half of 2020, signalling a low concentration risk in both activity and exposure of the banking sector. The concentration of banking activity by currency has decreased, but it remains at high levels and requires continuous monitoring. The indicators of concentration related to systemic banks show a lower and downward risk.

2.3.3 MACRO-PRUDENTIAL MEASURES

Macro-prudential measures implemented by the Bank of Albania up to the end of 2020 aim at establishing favourable conditions for:

- a) *the increase of domestic currency use in the Albanian financial system activity; and*
 - b) *the strengthening of the resilience of banking system against systemic risks of cyclical and structural nature.*
- a) The measures for increasing the scale of use of domestic currency are taken in the framework of the de-euroisation package and entered into force in a gradual manner during March-July 2018 period. The package of measures consists of three main elements: i) differentiation of the required reserve for liabilities denominated in foreign currency; ii) higher requirements for indicators of liquidity in foreign currency exchange; iii) increase of awareness of borrowers by banks on the risk of credit denominated in foreign currency. To assess the impact of these measures and the general performance of the indicators of the euroisation level in the economy and the activity of the banking sector,



the Bank of Albania prepares and publishes a six-month report¹³. The report published in February 2021, reflects the positive signals provided by the banking activity indicators toward the superiority shown by the use of financial instruments in lek during this year. At the same time, it must be emphasised that as a result of the pandemic impact during 2020, it is difficult to distinguish the effect of various factors on the movements of indicators selected for this period, to assess whether this movement will establish a trend for their long-term performance and determine the efficiency of these measures.

- b) The measures taken to date on strengthening the banking sector's resilience to systemic risks consist in the implementation of measures set forth in the Regulation "On macro-prudential capital buffers"¹⁴. This Regulation lays down the framework for the implementation on banks of the conservative capital buffer, countercyclical capital buffer, capital buffer for systemically important banks and capital buffer for structural systemic risk. The Regulation stipulates that the performance toward the maximum levels of these buffers extends across a multiannual period. The report on the fulfilment of macro-prudential capital buffers, pursuant to the threshold levels determined in the Regulation, was conducted for the first time by banks in March 2020 and has continued on quarterly basis.

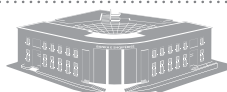
The simultaneous implementation of two or more above-mentioned buffers represents the combined micro-prudential capital buffer. Their implementation is realised through the decisions of the Governor of the Bank of Albania, which are published in the website of the institution. The assessment conducted on the data reported at the end of 2020, show that, overall, banks have fulfilled the requirements for a combined macro-prudential capital buffer, which are applied on the mandatory requirements of micro-prudential supervision. The forecasted increase in the Regulation regarding the level of these buffers during 2021 and beyond requires additional attention of banks to strengthen their capital position.

2.3.4 PACKAGE OF MEASURES UNDER PANDEMIC CONDITIONS

Since the first week of dealing with the situation caused by the pandemic in the country, the Bank of Albania was committed actively to use all the operational instruments and regulatory spaces in order the banking sector continue uninterruptedly the activity and to mitigate in advance the impacts of the pandemic on the economy and financial system. In the press releases to public at large it was emphasized that the decision-making objective was to:

¹³ The Report is called "Report on the performance of indicators to be monitored by the Bank of Albania in the framework of the de-euroisation process" and is published every six months on "De-euroisation Package" in the Financial Stability area in Bank of Albania's website.

¹⁴ The Regulation was approved with Decision No 41 of the Supervisory Council of the Bank of Albania, dated 05.06.2019.



preserve the monetary and financial stability in the country; facilitate the costs of shock to Albanian enterprises and households; and overcome the situation with the least negative effects on the long-term development of the country.

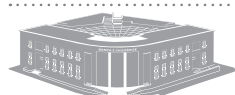
The measures undertaken to contain the spread of the pandemic, being materialised in the complete or partial shutdown of many activities of production and services, for several weeks in March-April 2020, were expected to yield a considerable negative effect in the incomes of enterprises and households, and, consequently, in the borrower's credit worthiness ability of credit borrowers.

In order to ease borrowers faced with temporary insolvency during this period, the Bank of Albania approved the addition of a temporary provision in the Regulations on credit risk management in banking activity, non-bank financial institutions and savings and loan associations and their unions. This regulatory amendment created facilities to lending entities in relation to the implementation of regulatory requirements on credit classification and setting funds for credit provisioning. This provision valid from March-May 2020 in the beginning was extended to cover the period of June-August 2020. As regards restructured credit, it was extended until the end of 2020. Another measure that aimed at facilitating the costs of payments to bank customers and encourage the use of Home Banking services, was the suspension of commissions applied by banks on electronic transfers of credit in lek and the fees for participants in the payment systems operated by the Bank of Albania.

To strengthen the capital position of banks against eventual shocks in the credit quality and to support lending, the Supervisory Council of the Bank of Albania suspended the distribution by banks of allocated and realised profits, first up to June 2020 and later until the end of the year. Another measure applied on the banking sector was the facilitation of the weighing share with risk coefficient to exposure of domestic banks against debt securities of the Albanian government denominated in foreign currency, for issuances during 2020 until their maturity, and the exclusion of this exposure from the calculation of maximum allowed exposure, according to the regulation on large exposures.

2.4 SUPERVISION

The supervisory function of the Bank of Albania has as its main objective the early identification and control of major risks (lending risk, liquidity risk, operational risk, interest rate risk, capital and profitability risk, reputational risk and money laundering etc.), as well as the assessment of internal audit and the effectiveness of corporative governance, 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

STRUCTURAL DEVELOPMENTS

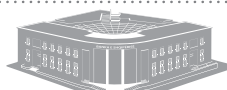
As at end 2020, the banking system remains consolidated to 12 banks, 4 of which with Albanian capital and 8 with foreign capital. Of the latter, 6 originate from European Union countries. In terms of total assets, year 2020 recorded an increase in the share of banks with Albanian capital, by around 1.3 percentage points, and a decrease in the share of banks with European capital, by 0.6 percentage points. The growth in the share of banks with Albanian capital was noticed in the credit portfolio, with 1.5% increase, as well as in deposits, whose share grew by 0.8%. In December 2020, these banks accounted for 30.6% of total assets in the banking system and 35.4% of total credit portfolio.

COVID-19 PANDEMIC

The financial activity in 2020 was carried out under the strong impact of the pandemic effects. Financial institutions readopted their activity to the imposed restrictions, health protocols and market demands. The Bank of Albania undertook significant regulatory changes to alleviate the possible effects to financial institutions, as well as to create facilities to borrowers for the payment of loans. These changes were initiated since March, when the natural disaster situation was declared, and they were reviewed several times during the year in line with the evolution of the pandemic.¹⁵

Pursuant to the regulatory changes undertaken in the Covid-19 context, the Bank of Albania conducted communication in written form with banks in order to determine certain prudential measures to be taken into consideration for managing the created situation, possible risks and transmitting the right message to the market. Thus, banks were required to create adequate structures and internal, transparent and clear procedures to implement the changes, document the entire process, assess and select the appropriate borrowers according to the set criteria, channel the restructuring following the legal path and reduce internal expenditures. The Bank of Albania monitored and controlled the situation by establishing a close communication and sharing the information with banks, by means of intensified reporting requirements.

¹⁵ For a summary of regulatory changes, please refer to Part 2.3.4 "Measure package in pandemic situation," and the list of amended regulations in Part 2.4.3 "Review of regulatory framework."



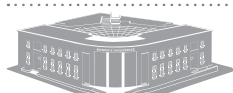
*IMPLEMENTATION OF RECOMMENDATIONS OF ASSESSMENT REPORT
BY MONEYVAL COMMITTEE AND ICRG/FATF ACTION-PLAN:*

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 the direction of improving the regulatory framework and strengthening the effectiveness of the supervisory process, in order to address the primary issues identified in the report, which will continue to be fulfilled during 2021.

In this framework, the number of on-site examinations has been increased, focusing particularly on terrorism financing issues and implementation of the international sanctions, especially on more vulnerable entities such as non-bank financial institutions and Foreign Exchange Bureaus. Related to the identified violations, in addition to the recommendations for specific entities, also supervisory measures, such as "warnings" and "fines" are implemented.

In 2020, 89 examinations were carried out in 8 banks, 7 non-banks financial institutions and 74 FEB. Four of these examinations were carried out in the framework of collaboration with the General Directorate for the Prevention of Money Laundering (GDPML), respectively in 2 banks, 1 non-bank financial institution and 1 Foreign Exchange Bureau. Also, 3 joint examinations were performed in collaboration with the Financial Supervision Authority, in order to achieve the objective of the measures undertaken to prevent terrorist financing (TF) and implement international sanctions (TFS).

In order to increase the awareness of entities (NBFIs and FEBs), which show deficiencies in implementing both measures to counter Terrorist Financing and the international sanctions, in October 2020, the Bank of Albania in collaboration with the GDPML organised a two-day training on: "Measures to counter Terrorist Financing (TF) and implementation of international sanctions (TFS)," in the framework of implementing the recommendations of Moneyval experts, provided during Round V of the evaluation for Albania. According to this report, financial entities were assessed with a "substantial / significant" level of effectiveness, in particular when banks present a good understanding of the risks of money laundering and terrorist financing and of legal obligations, and have generally taken appropriate measures. The training was targeted to: (i) non-bank financial institutions; (ii) savings and loan associations; (iii) Foreign Exchange Bureaus. Representatives of 33 non-bank financial institutions (NBFIs) and savings and loan associations (SLAs) and of 28 Foreign Exchange Bureaus participated in the training.



LEGAL AND METHODOLOGICAL ESTIMATIONS AND ENHANCEMENT OF SUPERVISORY CAPACITIES

A great deal of work was dedicated to the development and finalisation of twinning project with the Bank of Italy and Bank of Germany, a project which started in November 2019. The project aimed to approximate the supervisory legal and methodological framework with the European Union members, by enhancing capacities in supervising licensed entities. The objectives realised in this project are listed following:

- Several important amendments applied to the Regulation "On Capital Adequacy," which consist in reviewing the calculation method of capital requirements of exposures related to credit risk, market risk, operational risk and securitisation;
- Review of the Guideline "On the internal capital adequacy assessment process" (ICAAP);
- Drafting of a new regulation in compliance with the Directive of Payment Accounts;
- Training on the actual method of control implementation of the Guideline ICAAP as well as improvement of the Assessment Process and Supervisory Review;
- Building an internal methodology for evaluating the borrowing capacity of enterprises pursuant to the international accounting standard IFRS 9.

2.4.2 ON-SITE EXAMINATIONS

The examinations schedule deviated considerably from the plan due to the pandemic situation. Thus, during the first half of 2020, only two full-scope examinations were performed on banks. While, on the second half of the year, 5 examinations were carried out on the largest banks, focusing on the management of the pandemic situation and its impacts, especially concerning credit portfolio. During the year, partial examinations were carried out in banks for assessing the implementation of Regulation "On liquidity coverage ratio."

In total, 27 full-scope and partial examinations were performed on banks and non-bank financial institutions, with a higher trend toward partial examinations due to the health guidelines on reduced staff number. Foreign Exchange Bureaus received higher attention, with 74 examinations carried out on them.

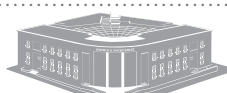


Table 4 Number of examinations by entities and theme

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	28*	9	8
2019	13	13	16	13	13	14	13	13	14	13	15
2020**	2	8	15	11	2	5	5	5	88**	2	6

* In 2018, 28 examinations were carried out at Foreign Exchange Bureaus on Operational Risk. While the other 10 examinations regarding this risk were carried out with the General Directorate for the Prevention of Money Laundering.

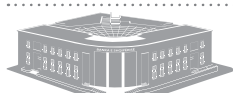
** In 2020, 74 examinations were carried out at Foreign Exchange Bureaus on Reputational Risk and 14 other examinations regarding this risk were carried out in banks and non-bank financial institutions. Among these, examinations on 2 banks, 1 non-bank financial institutions and 1 Foreign Exchange Bureau, regarding this risk, was carried out in collaboration with the General Directorate for the Prevention of Money Laundering and examinations on 3 banks were carried out in collaboration with the Financial Supervision Authority.

All the examinations performed in 2020 have as an objective the credit risk – in line and compliant with European Supervision Authorities – dictated by the nature of the undertaken regulatory amendments \freezing the loan payment instalments, encouraging restructuring etc.). The goal was to identify potential worsening of credit portfolios, which may be “hidden” temporarily due to regulatory accommodation, and the immediate measures that must be taken beforehand to create the necessary reserves.

The main recommendations of the examinations relate to carrying out stress-tests by also accounting for additional elements in response to the pandemic situation; careful review of business plans, without neglecting credit support to the economy; preliminary and gradual increase of provisioning, as well as a prudential approach against forecasted developments, and the necessity to review the credit portfolio in order to identify potential changes to clients’ solvency, even in cases when they have benefitted from payment “freeze” or restructuring.

Regarding non-bank financial institutions, attention in 2020 was focused on entities that carry out the activity of lending, leasing and microcredit. Examinations to a large extent aimed to address signals of fraud, non-realisation of supervisory recommendations and signals of market distortions.

A significant part of these examinations - an attentively considered issue regarding non-bank financial institutions - is the assessment of the level of transparency with customers. The examinations have identified several issues



in this regard, which were addressed through recommendations to entities, but also through initiatives for amendments and improvements to the supervisory regulatory framework, which covers transparency and consumer protection issues. Based on the examination conclusions, supervisory measures were initiated in two cases for the suspension of the activity or revocation of license for non-bank entities.

2.4.3 REVIEW OF THE LEGAL AND METHODOLOGY FRAMEWORK

In 2020, the Bank of Albania continued enhancing the supervisory regulatory framework, through approving several new regulatory acts and reviewing some current acts in force, furthering the approximation with the European Union (EU) acquis, the principles of the Basel Committee and the best practices in banking supervision. The reviewing process of the regulatory framework in force took into consideration the situation created in the country due to the Covid-19.

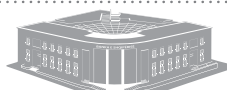
The following are the main regulatory changes approved in 2020:

I. In the framework of the measures taken due to the Covid-19, the Supervisory Council approved in 2020:

- Amendments to the: i) Regulation "On credit risk management from banks and branches of foreign banks"; ii) Regulation "On risk management in the activity of non-bank financial institutions"; and iii) Regulation "On risk management in the activity of savings and loan associations and their Unions."

These amendments consist in an additional temporary provision in the above Regulations, which stipulate a facility for entities in case of identifying insolvency of borrowers during the specific period, to not be subject mainly to the requirements provided for in these Regulations on the classification and establishment of provisioning funds.

- Amendment to the Regulation "On capital adequacy ratio", which consists in handling a preferential risk weight of 0% for banks' exposure to Albanian government debt securities in foreign currency, for securities issued in 2020 until their maturity, as well as an amendment to Regulation "On the risk management from large exposures of banks", through which banks may exclude from the calculations of maximum permitted exposure these type of exposures.
- Two Decisions "On the Suspension of the Profit Distribution from Banks", which stipulates, first up to June 2020 and then up to 31 December 2020, the suspension of the distribution by banks of the allocated profit from the previous periods and the profit realised during the 2020.
- Amendments to the Regulation "On credit risk management from banks and branches of foreign banks", in relation to non-compliance with the provisions on the classification and provisioning of loans up to the end of August 2020, as well as the handling of restructured loans during 2020; extending the entry into force of regulatory amendments



in relation to more restrictive requirements on loan restructuring for the date 1.1.2022 (forecasted to enter into force on 1.1.2021).

- Extending the effects of the Regulation "On out-of-court treatment of distressed borrowers by banks," on 1 January 2022.

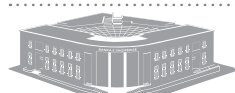
II. With a view to the approximation of regulatory requirements of the Bank of Albania with Basel III requirements and European regulations¹⁶, the following were approved:

- Amendments to the Regulation "On capital adequacy ratio," which aim to primarily present the method of risk weighting of exposures, based on the credit quality assessment of the counterparty, when this assessment exists, in particular for classes of exposures to supervised institutions, to public sector units, and in the form of guaranteed obligations.
- Amendments to the Regulation "On the risk management from large exposures of banks", accompanied also by several new reporting and monitoring requirements on banks.
- Amendments to the Regulation "On the consolidated supervision", in accordance with the latest amendments in Regulation "On the risk management from large exposures of banks", and Regulation "On the bank's regulatory capital".
- The new Regulation "On the financial lever ratio of banks", which determines the criteria and rules to calculate the ratio of banks' financial lever, which is calculated as the ratio of first level capital to the total of bank's exposures (which includes balance sheet items, derivatives, financial transactions of securities and items outside balance sheet), and determines the minimal level of this ratio.
- The new Regulation "On the net ratio of sustainable financing of banks", which determines the rules to calculate the net ratio of sustainable financing of banks and the minimal level of this ratio. This new regulatory act aims to complete the regulatory framework in force on the liquidity risk administration and complements Regulation "On liquidity coverage ratio."

III. Pursuant to the Law "On the recovery and resolution of banks", part of the early resolution framework, the following were approved:

- Regulation "On determining the conditions for granting the prior approval to the intra-banking group financial support agreement," which lays down the conditions for granting the prior approval to the financial support agreement, that may be granted only by banks that are part of a banking group that falls under the consolidated supervision of Bank of Albania, and the requirements for documentation and its content for acquiring this approval from the Bank of Albania.
- Regulation "On determining the conditions for applying early intervention measures and on the conditions and manner of carrying out the temporary administration", which lays down the conditions for applying early intervention measures and considers situations when applying early administration measures is probably sufficient to correct

¹⁶ Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) and Regulation (EU) 2019/876 (CRR2).



the worsened situation of the bank.

- Regulation "On the establishment, licensing, supervision, functioning, and termination of the operation of the bridge bank," which is an overall review of the Regulation in force. This Regulation lays down the conditions for the establishment, licensing, supervision, functioning and termination of operation of the bridge bank, as a resolution tool.
- IV. In the framework of reviewing and improving the regulatory requirements, to adopt to market developments as well, the following were approved:**
- Amendments to the Regulation "On risk management in the activity of savings and loan associations and their Unions," based also on the requirements/propositions for regulatory amendments brought by savings and loan associations (SLA), to adopt to their developments during the latest years, and amendments to the Regulation "On the reports at the Bank of Albania accordingly to the Unified Reporting System," in accordance with the requirements provided for in Regulation "On risk management in the activity of savings and loan associations and their Unions."
 - Regulation "On the functioning of the Credit Registry of the Bank of Albania, and the conditions and procedures for recognizing, using and reviewing the data administered therein," which aims to regulate the functioning of the new system of the Credit Registry, the necessary conditions and procedures for recognizing, using and reviewing the data, as well as the fee on the use of data that are reported in this system.

2.4.4 LICENSING FRAMEWORK AND APPROVALS

The number of banks operating in Albania at the end of 2020 remains the same compared with the end of 2019. The Albanian banking sector continues to be dominated by foreign banking group subsidiaries, with capital mainly originating from the EU.

Table 5 Banks' ownership structure (number of banks at period-end)

	2014	2015	2016	2017	2018	2019	2020
Banks in Albania	16	16	16	16	14	12	12
Banks' ownership structure, by capital origin, of which:							
I. Majority foreign owned ¹	14	13	13	13	11	8	8
• EU-based banks	10	9	9	9	7	6	6
• Turkish based	1	1	1	1	1	1	1
• Majority owned by an international financial institution (Saudi Arabia)	1	1	1	1	1	1	1
II. Majority Albanian owned	2	3	3	3	3	4	4

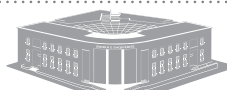
¹ "The majority" is in any case a simple majority of 50 per cent of votes plus 1 vote.

² Banks with capital origin from EU countries at the end of 2020 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 2020 are: Union Bank, Credins Bank, American Bank of Investments and Tirana Bank.



In 2020, the Bank of Albania issued preliminary approval for:

- i. ownership of the qualifying holding of shares of one bank;
- ii. exercising additional financial activities in the role of insurance intermediary (1 bank), exercising additional financial activities of commerce, on behalf of clients, transferable government securities (1 bank) and exercising the additional financial activities of signing government securities etc. (2 banks);
- iii. amendments to the statutes of banks, appointments of legal auditors of all banks, the issuance and settlement of subordinate debt from banks, etc.

The Bank of Albania approved 46 bank administrators, specifically by position classification, 16 members of the steering council, 6 members of audit committees, 3 general executive directors and 21 executive directors and managers of the bank's internal audit.

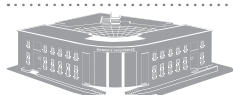
In 2020, the network of banks within the territory of the Republic of Albania was expanded with 3 new branches, while banks have reported reduction of the number of 8 branches and agencies within the country. As of the end of the year, banks operated through 425 branches and agencies.

Based on submission of applications, the Bank of Albania licensed one electronic financial institution (Albanian Post Office sh.a.), while suspending the financial activity of Platinum Investment I.t.d., a non-bank financial institution. In 2020, the activity licenses of three non-bank financial institutions were suspended, specifically:

- i. the license of the non-bank financial institution "Albanian Office Post" sh.a. as a result of transforming (licensing) into an electronic financial institution;
- ii. the license of the non-bank financial institution "Albanian Factoring Services" sh.p.k. by request of the entity;
- iii. the license of the non-bank financial institution "Pay and Go" sh.p.k as a supervisory measure.

Therefore, the number of licensed non-bank financial institutions was 30 at the end of 2020. Non-bank financial institutions received also preliminary approvals for 18 administrators, Chairmen of Steering Council and Chairmen of Control Council; approvals for the transfer of qualifying holding of capital quotes to three entities; approvals of two additional financial entities.

In 2020, no new savings and loan association was licensed (SLA), while an approval was issued for additional payment services for one SLA, as well as preliminary approvals for the re-appointment of the chairman of the Steering Council, the chairman of the Control Council and the administrator of one SLA.



In 2020, 43 new foreign exchange bureaus were licensed, while licences were revoked for 8 existing foreign exchange bureaus. As of the end of 2020, 538 foreign exchange bureaus were operating in the foreign exchange market.

Table 6 Number of banks, non-bank financial institutions, savings and loan associations and foreign exchange bureaus licensed by the Bank of Albania (end-period)

	2014	2015	2016	2017	2018	2019	2020
Banks and branches of foreign banks	16	16	16	16	14	12	12
Non-bank financial institutions	22	27	28	31	30	32	30
Foreign exchange bureaus	356	397	428	426	463	503	538
Unions of Savings and Loan Associations	2	2	2	1	1	1	1
Savings and Loan Associations	113	111	13	13	13	14	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

The Resolution 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.

The Bank of Albania has strengthened the resolution capacity in banks, through drafting resolution plans for the banking sector, intensifying the communication with banks regarding resolution reporting, continuously meeting the regulatory framework, as well as drafting new methodologies in accordance with the legal provisions. Furthermore, in 2020, the Bank of Albania carefully monitored the administration process of the Resolution Fund by increasing the level of automatization.

2.5.1 STRENGTHENING RESOLUTION IN BANKS AND RESOLUTION PLANS

In 2020, the Bank of Albania drafted the resolution plans for systemic banks, focusing particularly on selecting the preferred strategy for resolution. This strategy is based on the bank's business model, the financial capacity for loss absorption, the interconnectivity between financial entities of the banking group, as well as the operational capacities of the bank to implement resolution.



In accordance with this strategy, the Bank of Albania has identified potential obstacles to the implementation of resolution for each bank, by drafting an individual working plan to remove these obstacles. In conclusion, in accordance with the preferred resolution strategy, the Bank of Albania estimated the individual level of “minimum requirement of capital and eligible liabilities” that must be met by 2027. This minimum requirement enables the identification and allocation of the financial resources in the bank’s balance sheet that may be used by the Bank of Albania to implement the preferred resolution strategy.

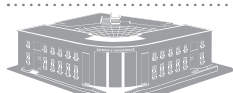
In 2020, the Bank of Albania completed the first cycle of drafting the resolution plans regarding the non-systemic banks, by identifying the preferred strategy forecasted in the plan and the information necessary that a bank shall yield to operationally support the implementation of this strategy.

BOX 4 THE MINIMUM REQUIREMENT FOR REGULATORY CAPITAL INSTRUMENTS AND ELIGIBLE LIABILITIES

In compliance with the principles of the Law No. 133/2016, if a bank is insolvent, the shareholders and creditors of the bank shall absorb its losses by bearing the relevant financial burden and avoiding the utilization of public funds as much as possible. In order to allow the effective implementation of resolution instruments, these legal provisions stipulate that banks, at all times, must meet “the minimum requirement for regulatory capital instruments and eligible liabilities,” which is communicated by the Bank of Albania. The purpose of this requirement is for banks to have the necessary financial capacity to absorb losses in case of resolution, as well as to ensure the continuity of critical functions that it provides to the economy, without utilizing public funds.

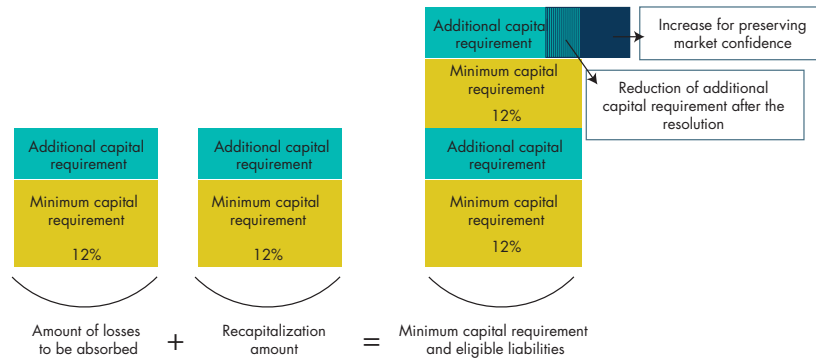
“The minimum requirement for capital and eligible liabilities” is a new regulatory requirement that must be met by banks, which strengthens their financial position and enhances the stability of capital position against possible financial shocks. In contrary to current regulatory requirements, which must be met by banks only through regulatory capital instruments, the minimum requirement for resolution purposes may be met by regulatory capital instruments (the surplus of regulatory capital resulting after banks have firstly met the minimum capital requirement) as well as other financial instruments that meet the conditions provided for by the Bank of Albania pursuant to the Law no. 133/2016, which are known with the term “eligible liabilities.” The banks must save and identify “eligible liabilities” instruments in their balance sheet, in order to allow for the conversion of these instruments into capital, in case regulatory capital instruments are not sufficient for the absorption of financial losses or the necessary recapitalisation of the bank.

“The minimum requirement for regulatory capital instruments and eligible liabilities” is a preliminary condition to be met by all banks, which is necessary for the implementation of resolution plans drafted by the Bank of Albania. With the purpose of determining the methodology of calculating the minimum requirement, as well as the conditions to be met by the financial instruments that may be known as “eligible liabilities”, during 2020, the Bank of Albania approved the Regulation “On the minimum requirement for capital and eligible liabilities.” According to this Regulation “the minimum requirement for capital and eligible liabilities” is calculated as the sum of two indicators, the necessary amount of



the losses to be absorbed and the necessary amount for recapitalisation. Chart 26 shows the scheme for calculating the minimum requirement.

Chart 26. Calculation of minimum requirement for capital and eligible liabilities



Source: Bank of Albania.

More specifically:

- a. "The amount necessary for loss absorption" ensures the bank to absorb its financial losses through regulatory capital. This fulfilment of this requirement is guaranteed at all times by the bank's fulfilment of the total regulatory capital requirement (minimum requirement for regulatory capital of 12% of weighted risk exposures and the requirement for additional capital determined by the Bank of Albania for specific banks).
- b. "The amount necessary for re-capitalisation" ensures, if necessary, the bank to re-capitalise through internal financial resources, which it will identify for this purpose, that are known as "eligible liabilities." Following the implementation of resolution, for the bank to continue to fulfil capital requirements, which guarantee its license preservation, it must recapitalise up to the level of the total regulatory capital requirement communicated by the Bank of Albania (which again consists of the minimum requirement of 12% of the weighted risk exposure and the requirement for additional capital applied to specific banks). In the conditions following resolution, it is supposed that the bank's balance sheet and the specific risk profile may change. After resolution the additional requirement for capital that the bank must fulfil, may be lower if the specific risk is assessed to be falling, or higher, if it is deemed necessary to protect market credibility in the bank's financial position.

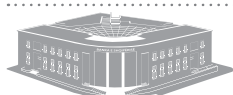
In 2020, the Bank of Albania calculated the "minimum requirement for capital and eligible liabilities" based on the provisions laid down in the regulation approved by the Supervisory Council during December. The final deadline for fulfilling the minimum requirement for each bank is December 2027. During the transitory period up to the fulfilment of the requirement, the Bank of Albania will communicate every year the minimum intermediary requirement that banks must fulfil to ensure the gradual fulfilment of the final requirement, within 2027.



2.5.2 COMPLETION OF THE REGULATORY AND METHODOLOGICAL FRAMEWORK FOR RESOLUTION

In 2020, the Bank of Albania has approved several sub-legal acts and decisions in the field of resolution, as below:

- a. By means of Decision No. 2/2020, dated 17.1.2020, the Supervisory Council of the Bank of Albania approved the amendments to Regulation "On the Resolution Fund and its administration procedures," with a view to determine the deadlines and the automatization of the reporting process for banks and the Deposit Insurance Agency in relation to the Resolution Fund.
- b. By means of Decision No. 56/2020, dated 7.10.2020, the Supervisory Council of the Bank of Albania approved Regulation "On the organisation and functioning of the Committee for the Resolution Fund," which aims to establish a special committee in the Bank of Albania for the Fund's administration procedures.
- c. By means of Decision No. 57/2020, dated 7.10.2020, the Supervisory Council of the Bank of Albania approved Regulation "On the operationalisation of the bail-in tool and exceptional cases," which aims to determine the conditions that the Bank of Albania should take into consideration when exercising the power of write-down and conversion of liabilities and bail-in tool, as well as exceptional cases from exercising this power.
- d. By means of Decision No. 58/2020, dated 7.10.2020, the Supervisory Council of the Bank of Albania approved "The exemption from all commissions applied to all accounts with the payment system of the Bank of Albania, for the administration of the Resolution Fund," a Decision which aims at increasing the efficiency of financial assets of the Resolution Fund by decreasing the expenditures of the administration of the Resolution Fund.
- e. By means of Decision No. 62/2020, dated 4.11.2020, the Supervisory Council of the Bank of Albania approved Regulation "On the establishment, licensing, supervision, functioning, and termination of the operation of the bridge bank," which aims at the operationalisation of the bridge bank instrument when it is expected to be applied.
- f. By means of Decision No. 68/2020, dated 25.11.2020, the Supervisory Council of the Bank of Albania approved the amendments to Regulation "On Resolution Plans," which lays down the objectives that the bank must fulfil to be considered capable for implementing resolution.

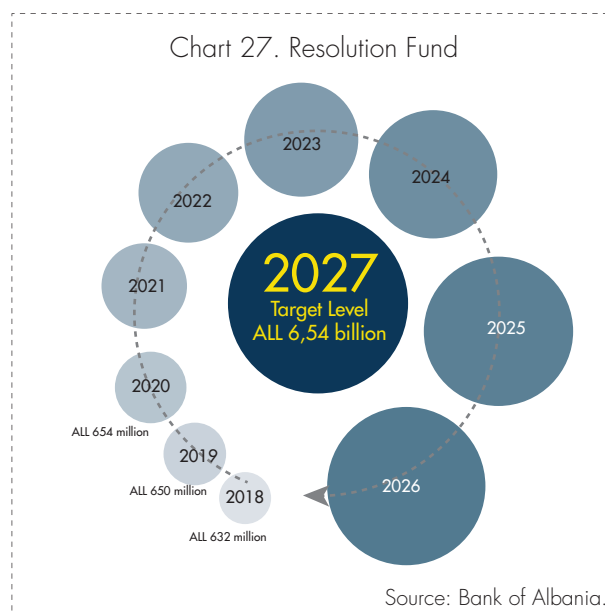


- g. By means of Decision No. 78/2020, dated 16.12.2020, the Supervisory Council of the Bank of Albania approved Regulation "On the minimum requirement of regulatory capital instruments and accepted liabilities," which determines the minimum requirement of capital and accepted liabilities, as the main resource for financing and recapitalising the bank in resolution, when implementing the recapitalisation instrument from within.

And lastly, during this year, the methodology "On assessing the public interest on resolution in banks" was drafted, which determines the factors that the Bank of Albania takes into consideration for determining the presence of public interest during the drafting stage of the resolution plans and during the implementation stage.

2.5.3 RESOLUTION FUND AND MONITORING OF ITS FINANCIAL ASSETS

Pursuant to Law No. 133/2016, 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 2020, was ALL 6.54 billion. In April 2020, banks completed the payment of the second year of annual contributions to the Resolution Fund in the amount of ALL 654 billion. 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 2020, the Resolution Fund reached the level of about ALL 1.98 billion.



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.



One of the main responsibilities of the Bank of Albania is to ensure public confidence in the national currency. The central bank fulfils this responsibility 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.

To fulfil its constitutional and legal mission of putting into circulation the national currency and safeguarding its credibility, the Bank of Albania has continued to print the new and improved series of Albanian banknotes of legal tender.

After putting into circulation the 200 Lekë and 5000 Lekë banknotes on September 2019, the work to complete the new series of 1000 Lekë and 10000 Lekë denomination banknotes has continued. Both these banknotes will be put into circulation in 2021. Meanwhile, work has also continued for the 500 Lekë and 2000 Lekë denominations, which will complete the entire new series of banknotes.

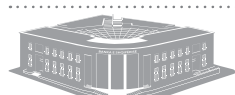
Completing the new series of banknotes with contemporary and sophisticated security features have given the Albanian banknote a modern, yet durable appearance, a quality banknote with high integrity and reliability.



The number and value of banknotes and coins in circulation increased in 2020

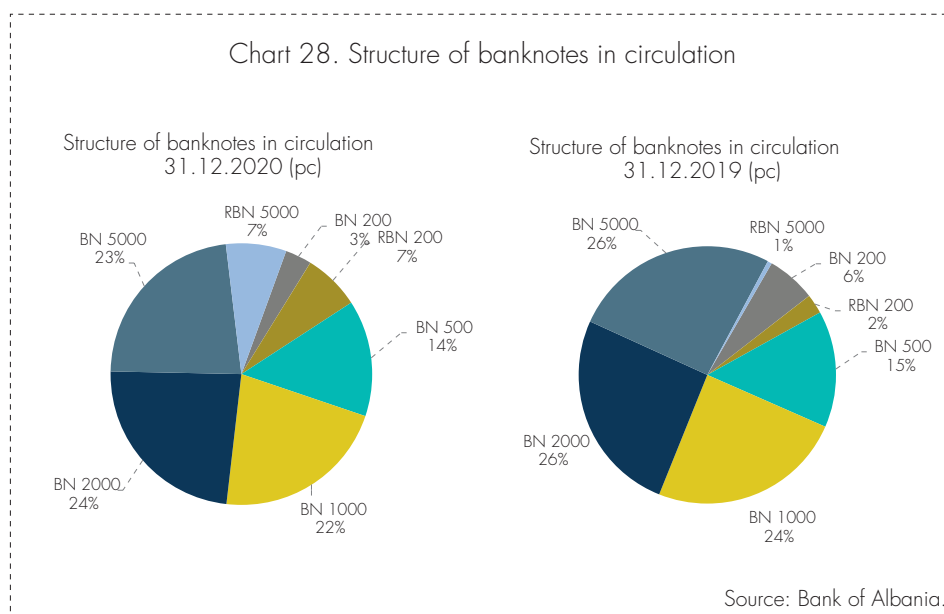
At the end of 2020, there were about 156 million notes in circulation worth about ALL 349.7 billion¹⁷. Compared to 2019, the number of banknotes in

¹⁷ It is the number and value of banknotes put into circulation by the Bank of Albania.



circulation increased by about 16 million notes (10.3%), while in value there was an increase of 52.2 billion (14.93%). The increase in value and number of banknotes in circulation was higher than the annual average increase and was mainly due to the special circumstances caused by the pandemic. The increase of the national currency in circulation beyond the average values has been observed in other countries as well.

The structure of the currency in circulation has changed in favour of banknotes with a nominal value of 5000 Lekë and 2000 Lekë. The average value of a banknote in circulation at the end of 2020 reached 2,242 Lekë, from 2,126 Lekë at the end of 2019.



At the end of 2020, there were 226 million coins, from 217 million at the end of 2019. The value of coins at the end of the year reached ALL 5.6 billion, from 5.4 billion at the end of 2019.

The speed of cash recirculation decreased and the quality of banknotes in circulation is kept under control

In 2020, around 82 million banknotes were processed, and were checked for authenticity and fitness for circulation. The sorting rate¹⁸ was 19.6% compared to 20% in 2019. Unfit banknotes were replaced with new banknotes fit for circulation.

The banknote circulation coefficient¹⁹ for 2020 was 0.56, implying that a banknote is returned to the cash desks of the Bank of Albania, on average

¹⁸ Ratio of unfit banknotes and coins to the total number of banknotes and coins sorted during one year.

¹⁹ Ratio of the number of banknotes returned to the Bank of Albania cash desks to the average annual number of banknotes in circulation.

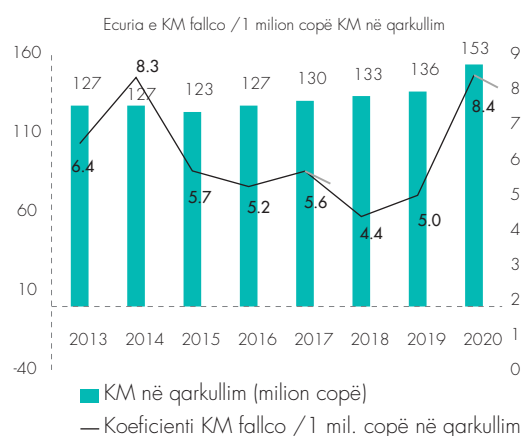


less than once a year. This coefficient is higher for 500 Lekë and 1000 Lekë banknotes (about 1.2 and about 0.78 respectively) and lower for 5000 Lekë banknote about 0.13, showing that the latter are returned more rarely to the cash desks of the Bank of Albania.

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

During 2020, despite the pandemic conditions, the Bank of Albania has carried out actions in view of safeguarding the currency from counterfeiting. These actions are preventative in nature, mainly focusing on testing and monitoring the processes of authenticating and sorting machines/equipment used by the professional staff. It is encouraged to identify and withdraw from circulation suspected banknotes and use authenticating and sorting machines/equipment successfully tested by the Bank of Albania. The public is recommended to verify the authenticity of the banknotes when accepting them based on the method "Feel, Look; and Tilt" published in the website of the Bank of Albania.

Chart 29. Counterfeited banknotes statistics



Source: Bank of Albania.

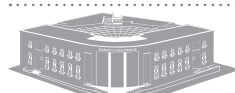
The quantity of counterfeited banknotes discovered in circulation has increased during 2020, meanwhile coins continue on the same trend compared with previous years. However, the coefficient of counterfeited banknotes per 1 million banknotes in circulation remains low.

By structure the 2000 Lekë and the 1000 Lekë denominations have the main share in the total counterfeit banknotes, followed by the 5000 Lekë and the 500 Lekë denominations. 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 and technological methods to imitate security elements.

2.7 PAYMENT SYSTEMS

Operation, oversight and reform of payment systems are some of the main functions of the Bank of Albania. Their implementation guarantees the security, sustainability and efficiency of the basic infrastructure of payments in lek. This is a crucial precondition for transmitting the monetary policy, safeguarding financial stability and the overall economic growth.

In fulfilment of these responsibilities, the Bank of Albania, beyond the stable operation of payment systems, has paid particular attention to the oversight and catalysing role in the fulfilment of the National Retail Payments Strategy.



2.7.1 PAYMENT SYSTEM OVERSIGHT

Throughout 2020, the Bank of Albania, in order to fulfil the oversight function of payment systems, finalised the overall evaluation of AIPS system according to the oversight principles of the European Central Bank. The evaluation process analyses and provides recommendations where necessary for all types of risks borne by the operation of the system, starting from the legal and governing risk, financial and operational risks, to including the transparency and objectivity of the system participation rules.

The evaluation of AIPS system was conducted with the support of the Central Bank of Italy in the framework of Twinning Project "Enhancing Bank of Albania's alignment with EU Acquis." The rules, procedures, and infrastructure of AIPS system is fully aligned with the standards of the Central European Bank and the provided recommendations are deemed to be easy to address. The positive results of this evaluation guarantee the stability of the core infrastructure of financial markets and are significant to the continued efforts on capital market developments.

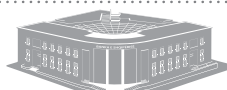
The oversight of AECH system has also derived attention during the year, as an analysis was conducted on the fulfilment of recommendations given for the system evolution in 2018. The safety and efficiency guarantee of this system is quite important for the development and modernization of the small-value payments market, which is among the priorities of the Bank of Albania, in the framework of the National Retail Payments Strategy 2018-2023.

In the framework of regulating payment services, the Bank of Albania increased the efforts for the approval of the Law No. 55/2020 "On Payment Services," by the Parliament of the Republic of Albania²⁰, and intensified the work on drafting the bylaws for its implementation. The Bank of Albania has collaborated with the World Bank for drafting the regulatory framework. There has been collaboration with the Bank of Italy regarding specific components, such as Deep Customer Authentication and cybernetic security.

Measures have been taken in relation to drafting the legal act for the transposition of the European Union Directive "On payment accounts". This Directive, besides further encouraging transparency and competition through creating standardized procedures for transferring/switching the customer's account from one bank to the other, is expected to bolster the financial inclusion of people by presenting an account with basic characteristics. This type of account does not have a minimum cost for persons who currently do not have any access to banks.

Prior measures have been taken for the conduction of a survey, which has been sent to banks in relation to the financial inclusion and banking products

²⁰ Law "On Payment Services" approved on 30.04.2020.



offered by them. The information presented from this survey may help the Bank of Albania to draft the legal framework on the transposition of the Directive regarding the determination of fees for instruments and services relevant to these “accounts with basic features.” The results of the survey have identified the fields where more detailed investigation may continue as regards the connection between opening a “payment account with basic features” and its impact to the financial inclusion.

The Bank of Albania has also initiated a series of projects for building and improving the infrastructure of the payment system such as: building the system for settlements in euro, where, during the year, the terms of references were finalised and the procurement of the system development has started; instant payment development which is drafting the project completion report in collaboration with the World Bank a Project; direct debiting function, while working for drafting a regulatory framework.

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

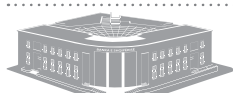
The Bank of Albania has continued its work for the implementation of the National Retail Payment Strategy in Albania (2018-2023). In 2020, a set of measures have been undertaken for implementing a considerable degree of the action plan of this strategy.

BOX 5 APPLICATION OF THE ACTION PLAN OF THE NATIONAL RETAIL PAYMENTS STRATEGY UP TO 2020

In the framework of monitoring developments in relation to National Retail Payment Strategy (2018-2023), the 6th meeting of the National Payment System Committee (NPSC), on 17 December 2020, presented the measures provided for in the action plan, short-term priorities, as well as a review of some deadlines on measures which are in process. This analysis, besides the support to NPSC for monitoring the fulfilment of objectives, aims to encourage transparency and accountability of the Committee. It must be emphasized that the fulfilment of strategy is ever more important due to the interconnection it has to both the national and cross border plan. More concretely, a series of measures forecasted in the strategy support the fulfilment of objectives of the Cross-institutional Working Group on Development and Electronic Commerce in Albania, National Strategy for Diaspora and Emigration, and it is part of the 10th reform of the Economic Reform Programme 2021-2023.

In this framework the conducted analysis identified that, up to now, over 50% of the forecasted measures in the action plan strategy were realised. The following analyses the measures achieved primarily in 2020.

- ***The approval of the Law “On the Payment Services”(PSD2) which transposes the reviewed EU Directive 2015/2366***



This Law, through re-dimensioning the non-bank financial activities which currently offer payment services and transfers (but including those that will potentially enter the market) and allowing the opening of bank accounts by them (currently forbidden by the legal framework in force "On Banks in the Republic of Albania" which classifies every credit surplus as deposit) and issuing of electronic payment instruments, will impact the increase in population that has an account to carry out payments. More specifically, if citizens currently use the Albanian Post Office, Western Union, Money Gram to conduct and receive payments, but cannot have an account in these institutions, the Law No 55/2020 "On the Payment Services" enables and encourages the use of electronic payments through these accounts. By taking into consideration the fact that these institutions have a geographical presence even in rural areas, the impact on financial inclusion will be high. The Law also creates possibility of collaboration between banks and non-bank financial institutions, which helps a larger presence of banks across the territory. The prudential framework for consumer protection provided by this Law will have an impact on financial inclusion. Also the spaces created by the innovative services will allow the larger public to use electronic payments daily.

The objectives achieved by the approval of the Law and the implementing bylaws fulfil the action plan measures as below:

1. Comprehensive regulation of agents and sub-agents for offering payment service and related services.
 2. Sustainable regulation of subcontracted services used by third parties in the entire payments sector, focusing specifically on using the technical service providers.
 3. Including regulation and supervision related to payment services in the legal framework.
 4. Creating a Consumer Protection Unit for payment services and more broadly.
 5. Creating a specific structure at the Payment Service Providers for addressing disagreements.
 6. Creating the banking concept that functions with an agent network.
 7. Encouraging competition and innovation in immigrants' remittances.
 8. Guaranteeing contracts that determine clear and applicable rights and obligations for service providers and users.
 9. Keeping an agent register used by banks and payment service providers. This register will be public and available to consumers.
- **Review the Regulation on the functioning of AIPS and AECH systems and the assessment of systems according to the supervisory principles of the Bank for International Settlements (BIS) and the European Central Bank (ECB), supported by the Bank of Italy.**

By reviewing the regulatory framework for the functioning of AIPS and AECH systems, where a series of findings and evaluations of the systems are reflected according to supervisory principles of BIS and ECB, a set of measures were fulfilled, as evidenced below:

1. Regulations and other rules on the entire infrastructure of the payment system in the Albania will guarantee direct and open access. Where necessary, legal reform will apply.
2. The operationalisation of the "indirect-participants" category of AECH.
3. Analysis of the ability to collateralise ex-ante / net debit positions caused



- by participants of AECH. To also analyse the limits set for net debit positions of AECH participants.
4. Detailed assessment of AIPS and AECH based on CPMI-IOSCO of PFMI and the specific regulation of ECB: prepare a detailed self-assessment, conduct an external assessment. The payment systems operated by the private sector apply strict measures on risk management.
 5. Assurance that payment service providers and payment service operators regularly review their cost and price structure (Home Banking).
- **Infrastructure developments**
 1. Finalisation of the terms of reference for euro settlements and initiation of the procurement of system developments.
 2. Draft of a regulatory framework on the functioning of Direct Debiting scheme.
 3. In the framework of Instant Payment development an analysis/observation was carried out by banks in order to draft the report on project viability and the "ALBANIA: A Review of Implementation Options for Fast Payment System" report in collaboration with the World Bank.

In the framework of fulfilling its catalyst role, the Bank of Albania organised the VI²¹ meeting of the National Payment Systems Committee on December 2020. In this meeting, besides the presentations on fulfilling the National Retail Payment Strategy, as well as short-term priorities and the necessary measures for their realisation, a series of issues were addressed to support market developments. In relation to the creation of Open banking and Application Programming Interface (API) and the implementation of obligations of banks in compliance with the Law on Payment Systems, the experience of markets, which aim to maximise the effects against the reduction of investment needs, was presented. The membership of non-bank institutions in AECH system also derived attention. To address these topics, besides the members of the Committee, international institutions and companies were invited to attend the meeting, such as the World Bank, SWIFT, TIETO and CBI S.c.p.a.

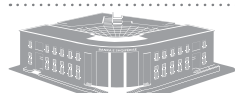
2.7.3 THE OPERATOR ROLE OF THE BANK OF ALBANIA OF AIPS AND AECH SYSTEMS

The Bank of Albania has continued to play its crucial role in enhancing the normal functioning of payment systems, where the main infrastructure consists of AIPS²² and AECH²³ systems. This role has been important in promoting safety

²¹ https://www.bankofalbania.org/Pagesat/Komiteti_Kombetar_i_Sistemit_te_Pagesave/Mbledhja_e_Gjashte_Vjetore_e_Komitetit_Kombetar_te_Sistemit_te_Pagesave_17_dhjetor_2020.html

²² AIPS system is considered the core infrastructure for the settlement of payments in the national currency and of financial markets https://www.bankofalbania.org/Pagesat/Sistemi_nderbankar_i_pagesave_me_vlere_te_madhe_AIPS/

²³ AECH system which accommodates the clearing of interbank transactions by banks' clients (households and enterprises). https://www.bankofalbania.org/Pagesat/Sistemi_i_klerimit_te_pagesave_me_vlere_te_vogel_AECH/

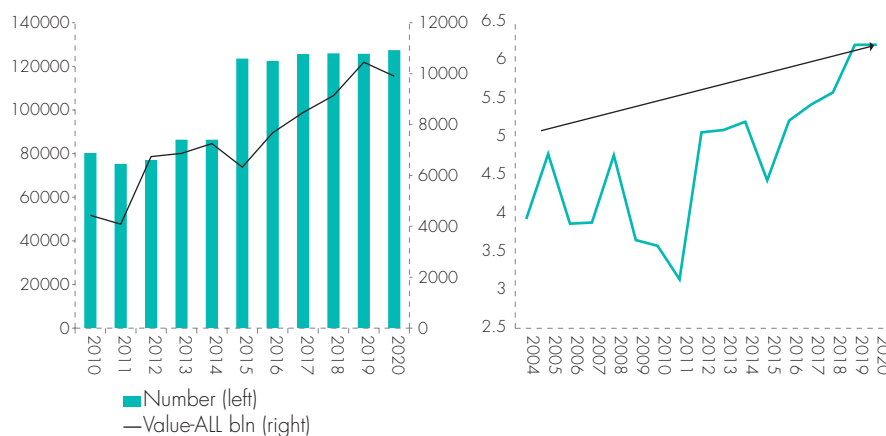


and efficiency, particularly in the first half of the year, taking into account the effect of "natural disasters" declared by the Albanian government. These two systems, administered and operated by the Bank of Albania, have continued to operate safely and efficiently. Both systems have offered maximum availability (99.66% for AIPS and 99.99% for AECH), and have always accommodated the needs of the market.

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

A volume of 127,500 transactions was settled in AIPS, with a total liquidity circulating in the system of ALL 9,905 billion. Compared to the previous year, the volume and the value of settled transactions reflected an increase by 1.38% and a decrease by 5.24%, respectively. The value of transactions processed in AIPS in relation to the GDP is assessed at almost the same levels compared to 2019.

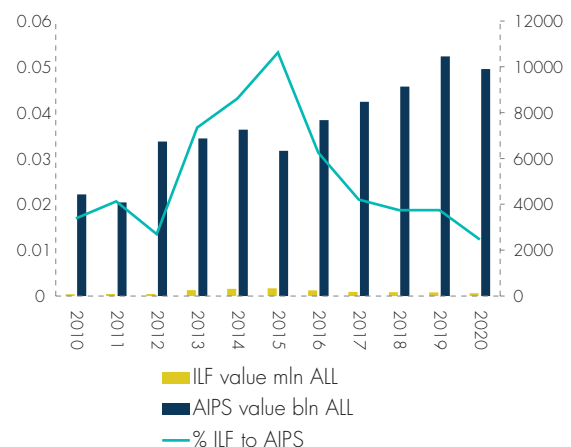
Chart 30. Number and value of transactions processed in AIPS (left) and the ratio of activities against GDP (right)



Source: Bank of Albania.

Referring to the use of this system by different transaction typologies, the item "Payments for Clients" (with main share of payments in terms of figures, 62.5%) continues to register increasing rates in both figures and value. On the other side, "Settlements in the AFISaR system" accounting for 25.6% of the total value of transactions processed in AIPS, registered a decrease of almost 3.4% in the number of transactions, and an increase in volume of 6.2% compared with the previous year.

Chart 31. Intraday Loan Facility (ILF) ratio to total value settled in AIPS



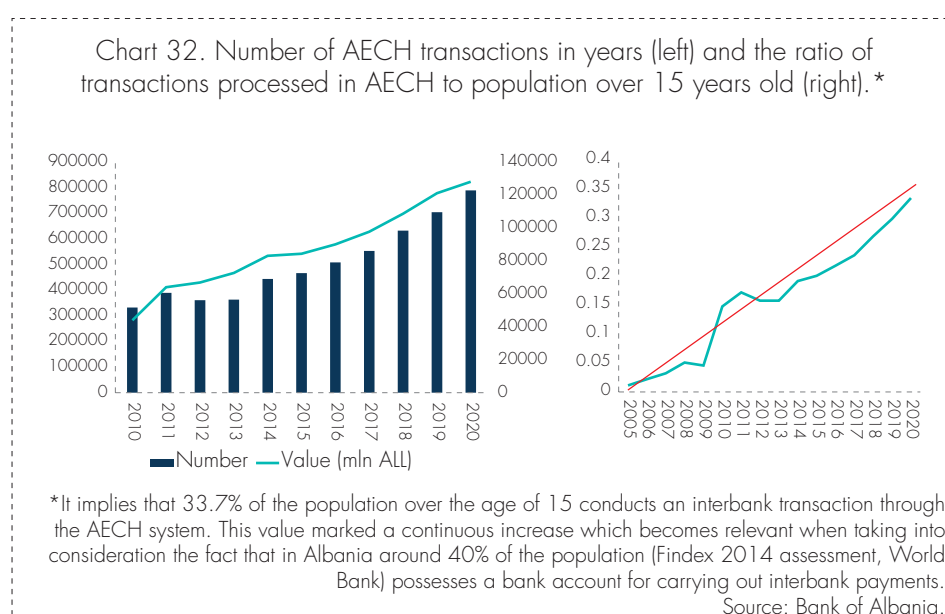
Source: Bank of Albania.



The Interday Loan Facility (ILF) registered a fall by 28.93% in terms of the number, and a rise by 26.1% in terms of value, driving to an increase of the average value per transaction. It must be noted that the decrease in the use of ILF through the years indicates a decline of the exposure of the system to liquidity risk.

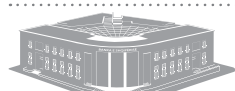
ALBANIAN ELECTRONIC CLEARING HOUSE FOR RETAIL PAYMENTS (AECH)

The activity of the AECH reflected an increase, despite the situation created by the pandemic. In annual terms, the number and value of AECH payments have increased by 12.0% and 5.8%, respectively.



The ratio of AECH transactions in relation to population has continued to increase, reflecting a greater usage of this system by the general public. The continuous increase of the use of AECH transactions, mainly payments for bank clients²⁴, indicates the efficiency of the measures taken by the Bank of Albania (in 2011 and also in 2020) on commissions applied by banks on the final user in order to expand the use of this system.

²⁴ The analysis of the payment distribution indicator according to the participants is evidence that customer payments initiated by banks continue to hold the main share of transactions processed in the AECH system, dominating the transactions initiated by other participants (Ministry of Finance and Economy, the Bank of Albania).



BOX 6 REVIEW OF THE REGULATORY FRAMEWORK OF AIPS AND AECH SYSTEMS AND MARKET IMPACT

In June 2020, the Bank of Albania approved the new regulations of AIPS and AECH systems. These reviews, among others, aim to address a series of market observations and further promote the measures foreseen in the National Retail Payment Strategy.

The main innovations of these reviews relate to the expansion of participations in the AECH system with non-bank financial institutions and the creation of well-defined requirements for cross-participating in both these systems, by aiming to address the risks carried on from these interconnections.

More specifically, the expansion of the participation of non-bank financial institutions, which offer payment services and electronic money, aims to encourage the interactivity among these institutions and banks. This enables these institutions to offer the most efficient services, which are provided mainly to the population category that does not have a banking approach. However, accommodating the participation of these institutions also creates added risks to the system, be it operational and financial, which was addressed through the clear determination of technical, operational and settlement conditions for the participants.

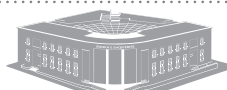
The review of the regulatory framework for the AIPS system aimed at creating the necessary conditions for the membership of private operators of licensed systems by the Bank of Albania. This enables various infrastructures to settle in the AIPS system including the ALREG operator, which functions as a Central Private Securities Depository and it is an important component to the functioning of the stock and capital markets.

The above-mentioned developments directly impact the increase in the activity of both systems as well as the risks carried on. In this framework, the regulatory reviews, besides the conditions determined to minimise risks, have consolidated the collaboration with a series of functions of the Bank of Albania, which relate to the stability and sustainability of these systems and the participants therein.

Lastly, the regulatory framework reviews addressed the need for a differentiation in commission between the system's payments initiated electronically and those in paper form. These reviews were based on the cost evaluation carried on by banks for their offer and reflected the objectives of the National Retail Payment Strategy on encouraging the use of electronic payments.

More specifically, the provisions of the regulatory framework provide the elimination of commissions for retail payments initiated electronically through home banking services for up to 20,000 Lekë and the differentiation of commission for the other payment part initiated through home banking for up to 50% of commissions applied for paper format payments. In this line, the Bank of Albania has determined the ceiling value for commissions applied by banks for payments processed in the AIPS and AECH systems, 1,500 and 500 Lekë respectively, since 2011. These ceilings will actually apply only for payments initiated in paper format.

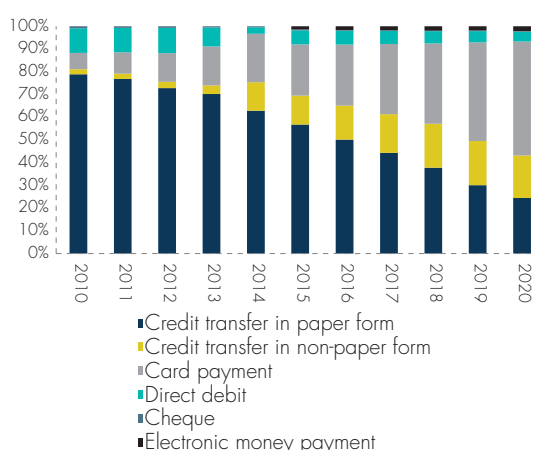
Encouraging the use of home banking services is necessary in the framework of promoting the innovation resulting from the implementation of the Law "On the payment services" and the Instant Payment project.



2.7.4 PAYMENT INSTRUMENTS

In 2020, the use of electronic payment instruments recorded an upward trend compared with the previous year. The reports of banks on payment instruments demonstrate that, up to year-end, there has been a continuous expansion of electronic payments such as bank cards and electronic money payments (pre-paid cards), as well as home banking.

Chart 33. Volume of payment instruments in years.



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

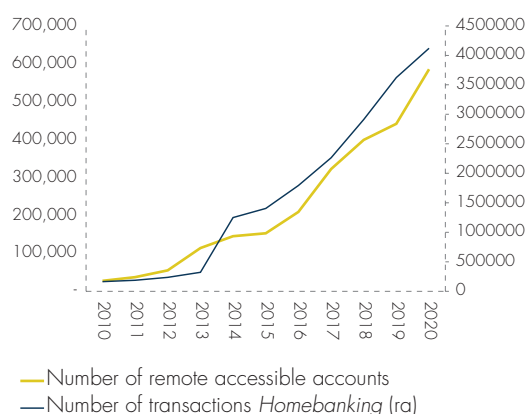
The volume of payment instruments has increased by 18.5%, reaching a total level of around 22.06 million payments, while the total value of payments has slightly decreased by 2.9%.

In terms of instruments used, the payment analysis indicates a continuous expansion of electronic payments. Card payments are the main payment instruments accounting for 50.1% of the volume, surpassing for the first time credit transfers in paper form. This increase is also due to movement restrictions during the pandemic.

E-money payments, a relatively new payment instrument, are being used exclusively by individuals, than businesses. Meanwhile, the same trend is noted in card payments, which continue to be used more

by individuals than businesses (with a usage ratio of 97.2% for individuals and 2.8% for businesses). On the other hand, businesses continue to reflect a more traditional use of banking (credit transfer in paper form, non-paper, cheques etc.) compared with individuals.

Chart 34. Volume of home banking transactions and account numbers offering these services

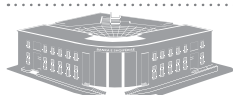


Source: Reports submitted by banks according to the "Methodology for reporting payment instruments"

HOME BANKING

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

In 2020, there was a significant increase in the volume of home banking payments, by 13.7%, and of the value of these transactions by 8.8%, compared to the previous year. Contributions to the upward trend of home banking were assessed to be the measures undertaken by the Bank of Albania and the policies



of banks, in the framework of promoting these alternative payment means. These measures were reflected in an increase in remote accessible accounts by 32.6% and an increase, against the total account, of 19.8%.

From the point of view of the use of internet accessible accounts, until the end of 2020, there were 7.03 transactions in non-cash payments per account, further approaching the level aimed by the National Strategy for Retail Payments (of 10 non-cash payments per capita by the end of 2022).

BANK CARDS

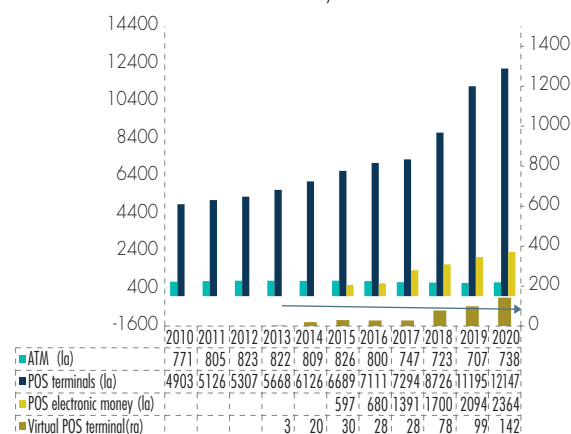
At the end of 2020, all the banks that operate in the Republic of Albania were licensed as card issuers, of which seven were licensed also as card accepters. The infrastructure provided by these banks has trended upward in terms of the number of POS terminals (increasing by 8.5% compared with 2019). Despite the positive trend of the increase of the number of POS terminals, reflected in the POS report per 1.000.000 citizens (4268 in 2020), their concentration continues to remain high in the region of Tirana²⁵, at 88.5%

A considerable increase was experienced by the virtual POS terminals, by means of which card payments could be done online for the purpose of electronic commerce. The banking system has offered such services since 2013, but the pace of use expansion by traders who want to conduct electronic trading, has been quite moderate. Meanwhile in 2020 the virtual POS terminals increased by 44. The development of this infrastructure is quite welcome in the framework of promoting the use of electronic payments. The implementation of the Law No 55/2020 "On Payment Services" will also have a positive impact in this regard.

At the end of 2020, the number of ATMs has increased at 738, compared with 707 terminals in 2019²⁶. Although ATMs are used mainly for cash withdrawal, in 2020 there was an expansion of ATM functions for carrying out deposits and transfers.

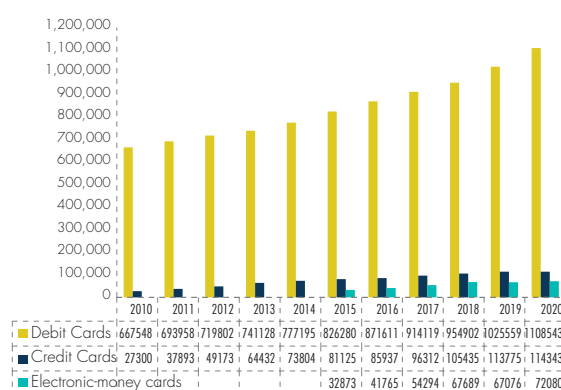
Positive developments were shown for ATMs, the use of which increased, to 12.9%, compared to the end

Chart 35. Performance of ATM and POS terminals across the years.



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

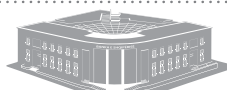
Chart 36. Developments in debit and credit cards



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

²⁵ Division of districts by branches of the Bank of Albania.

²⁶ At the same time, the number of banks fell from 14 at end-2018, to 12 at end-2019.



of 2019. Bolstering 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 from categories of the population that are not able access other services.

In 2020, the issue of debit cards increased by 5.6% and the issue of credit cards decreased by 4.3%. Also, the functioning of electronic-money cards in the market increased by 7.5% compared with the previous year.

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, three electronic money institutions are operating. In 2020, these institutions together have conducted a volume of around 3.8 million electronic money payments, with a value of ALL 10.8 billion.

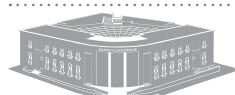
The electronic money, although trending upwards, remains at low levels, but it creates a value added to that part of population that does not access bank accounts. The licensing of the Albanian Post is a very positive development in the electronic money market of non-banking financial institutions. This institution has expanded its presence in the territory of the Republic of Albania.

2.8 INTERNATIONAL RESERVE MANAGEMENT

The Bank of Albania is the authority responsible for maintaining and managing the international reserve of the Republic of Albania. It uses its best opportunities to achieve and maintain a certain level of international reserve, conducive to Albania's financial stability, and in accordance with 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 Supervisory Council also approves the qualitative principles and criteria for the development of international reserve management. In order to implement these criteria, the Investment Committee approves the quantitative indicators and follows the application of the investment policy through the periodical publications.

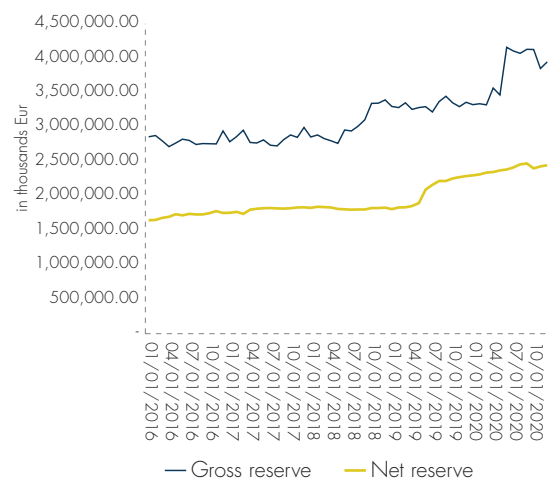
During 2020, several amendments were endorsed in the Regulation "On the policy and management of the international reserve". The main purpose of



these amendments is to include the new class of instruments to the accepted instruments for investment – Mortgage Backed Securities (MBS). Investment to the new class of financial investments will be realised through the World Bank in the role of the external administrator and will extend across a one-year investment time length, becoming part of the investment range of the foreign exchange reserve. Furthermore, the decrease of the minimum accepted level for bank ranking and other financial institutions from AA- to A-, was approved.

At the end of December 2020, the stock of gross foreign currency reserve was EUR 3,945.29 million, including monetary gold, at EUR 137.06 million, or 3.5% of the total.

Chart 37. FX reserve performance



Source: Bank of Albania.

COMPOSITION OF THE RESERVE PORTFOLIO BY CURRENCY

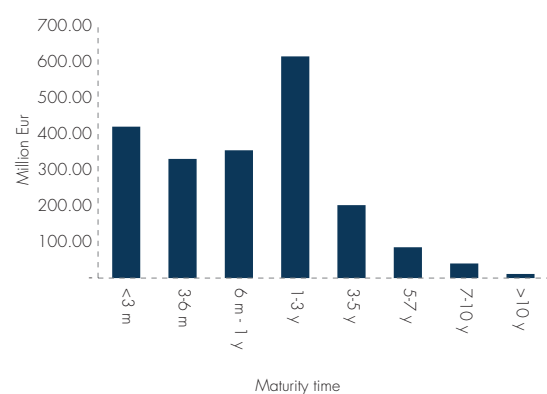
At the end of 2020, the composition of the gross international reserve was: USD 19.0%; EUR 64.9%; GBP 2.1%; JPY 2.0%; AUD 1.2%; SDR 5.8%; Gold 3.5%; RMB 1.5%.

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

COMPOSITION OF RESERVE PORTFOLIO BY MATURITY

At the end-2020, 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, which are primarily exposures to the investment margin, has increased compared to previous year, representing 7% of the international reserve portfolio at the conclusion of the year (from around 1% in 2019). The portfolio managed by the external manager (World Bank) is invested against a reference portfolio of 1-3 years, mainly in debt instruments issued by governments and government agencies.

Chart 38. Distribution of reserve by maturity of instruments *



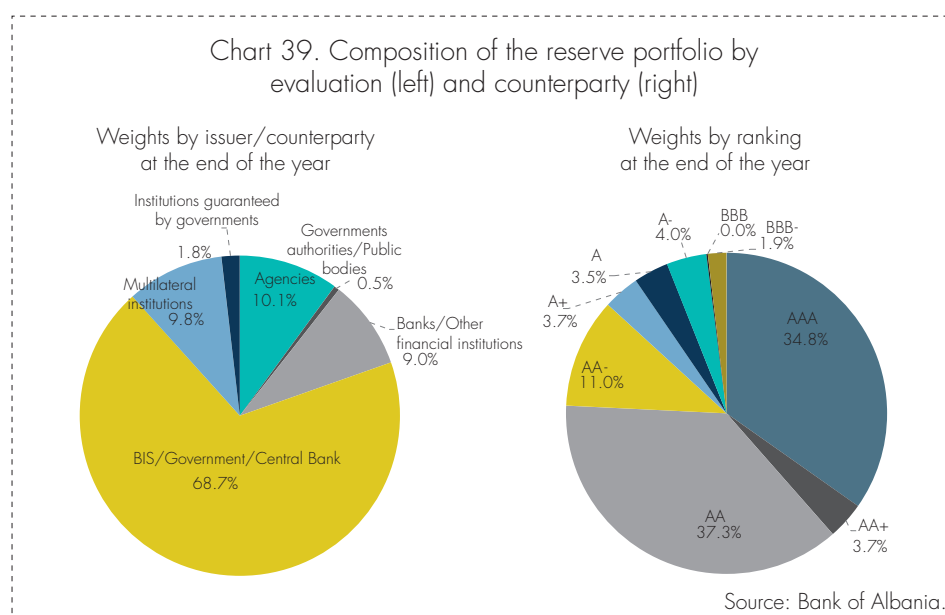
*The Chart does not reflect the funds kept in current accounts.
Source: Bank of Albania.



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

The Investment Committee approves the names of entities where the international reserve may be invested. These names include the governments of the USA, Japan, United Kingdom, Canada, Australia and those in the euro area, which overall are rated at least A- (for the euro area governments the accepted minimum rate is BBB²⁷). The names of entities allowed for investment also include agencies or institutions related to governments, multilateral institutions or other institutions rated at least AA- (for banks/other financial institutions the minimum accepted rating is A-).

Around 86% 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 (68.7%), followed by agencies (10.1%), multi-party institutions (9.8%), banks/other financial institutions (9.0%), government-guaranteed institutions (1.8%) and government authorities/public bodies (0.5%).

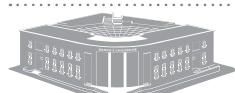


RETURN ON THE INVESTMENT OF RESERVE PORTFOLIO

The absolute return of reserve in total (excluding the fund managed by the World Bank as external administrator), was around 0.69% in 2020, compared with 0.71% in the previous year²⁸. The return created by the active management of the reserve portfolio is positive. The low rates of absolute return of reserve reflect

²⁷ Entities/instruments listed up to BBB – are included in "Investment" category (investment grade).

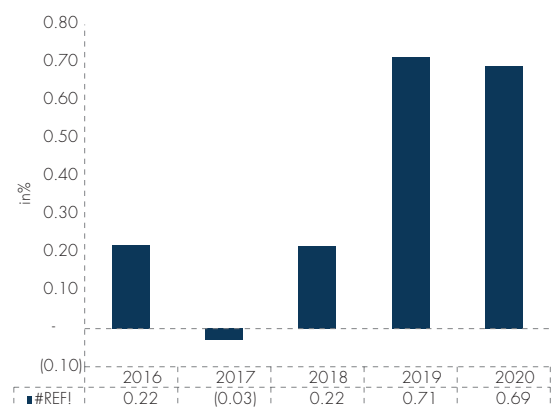
²⁸ Including the fund administered by the World Bank, the absolute return for 2020 is estimated at 0.79%.



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 a further negative territory compared to previous year. 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 impossible.

At the end of 2020, the situation in the current account exceeded 35% of the total reserve portfolio, reflecting the efforts to minimise investment costs. Investments in securities in the euro denominated portfolio resulted with a negative interest rate that varies from -4 basis points to -76 basis points.

Chart 40. Return on the international reserve*



*The return estimation does not account for the exchange rate effect.
Source: Bank of Albania.

OTHER DEVELOPMENTS RELATED TO THE INTERNATIONAL RESERVE MANAGEMENT FUNCTION

Cooperation with the World Bank in the framework of Reserves Advisory Management Program (RAMP) continued in 2020. The World Bank continued to provide specialized training and educational programs. These qualifications aimed at consolidating and increasing the expertise level of the employees engaged in the process of international reserve management and the staff that supports or monitors the performance of this process. Based on the information and technical assistance provided by the World Bank, the analysis process, presentation of proposals and approval of necessary amendments to the regulatory basis was finalized in order to include the class of Mortgage Backed Securities (MBS) to allowed investment instruments. The decision on the MBS portfolio management was also finalised, where the World Bank is assigned the role of external manager. The international reserve portion of the Bank of Albania that will be turned to management is USD 300 million (including the portfolio currently managed by the World Bank).

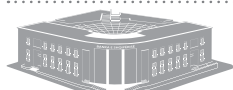
BOX 7 FLOWS AFFECTING INTERNATIONAL RESERVE IN 2020

Gross international reserve, estimated and reported in euro, increased by around EUR 585.59 million, in 2020, standing at EUR 3,945.29 million as of the end of December. The main factors that have affected the gross reserve are grouped below:

- ⊙ Transactions with the Ministry of Finance and Economy provided a positive impact, estimated at EUR 392.1 million, according to the following items:
 - net inflows from extension of various loans from the IMF and the World Bank at EUR 319.69 million;



- inflows from the issue of foreign currency debt in the foreign market, at EUR 644.21 million
 - inflows from the issue of foreign currency debt in the domestic market, at EUR 100.00 million;
 - transfers of debt service and others, at EUR 671.8 million.
- ⊙ Commercial banks and other entities' transactions provided a positive impact, estimated at EUR 173.69 million, according to the following items:
- deposits by commercial banks in their account at the Bank of Albania, for the minimum required reserve, etc., EUR 1,243.31 million;
 - transfers by commercial banks at EUR 1,057.78 million;
 - net outflows for the account of other entities (DIA, etc.) at EUR 11.84 million.
- ⊙ Bank of Albania's transactions provided a positive impact, estimated at EUR 85.21 million, according to the following items¹:
- Purchasing foreign currency from commercial banks and other institutions, EUR 91.53 million;
 - from commercial banks EUR 13.70 million;
 - from other institutions EUR 77.83 million.
 - Selling foreign currency to commercial banks and other institutions, EUR 33.83 million:
 - commercial banks EUR 20.40 million;
 - other EUR 13.43 million.
 - Receipts from interest and coupons etc. (calculated on a cash basis) generated from international reserve investments, at around EUR 33.15 million;
 - Transfers at EUR 5.64 million.
- ⊙ Market factors provided a positive impact, estimated at EUR 65.41 million, according to the following items:
- foreign-exchange rate volatility of currencies composing the international reserve contributed negatively to the gross reserve reported in EUR, at EUR 59.70 million;
 - the portfolio revaluation effect, as a result of interest rate volatility, is estimated at a negative value of around EUR 5.71 million².
1. The net effect of SWAP transactions carried out with the Ministry of Finance and Economy for 2020 is EUR 378.51 million, while the total volume of SWAP transactions (considered as purchase-sale) is EUR 1,056.65 million. During 2020, with the Ministry of Finance and Economy, a sale and a purchase were realized, with full rights in the amounts of EUR 56 million and EUR 60 million, respectively.
 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.



2.9 STATISTICS

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

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

The pandemic affected the activity of the Bank in the field of statistics as well. The Bank of Albania focused on ensuring the continuity of statistics production and undertaking concrete measures to reduce the risk of statistical activity, by intensifying the use of new analytical and modelling methods in the assessment of statistics. During 2020, the work consisted in several directions.

First, building qualitative, more comprehensive, flexible and integrated statistics²⁹. The challenge of this year highlighted once again the importance of the interconnection of these granular data systems. At the time of the outbreak of the pandemic, the Bank had built a series of statistics available for decision-making (such as detailed reports of credits harmonised with AnaCredit and those of securities), which enabled an important platform for the assessment of the needs for liquidity of banks, and a more complete assessment of the potential impact of the undertaken easing measures in this period³⁰. Specifically:

- The Bank of Albania entered “live” with banks, branches of foreign banks, non-bank financial institutions, savings and loan associations and Unions of saving and loans associations licensed by the Bank of Albania with the reporting in the Credit Registry of the harmonised data³¹ with the regulatory and methodologic framework of the European Union for collecting detailed data related with credit and credit risk. This harmonised database supports the decision-making of the monetary policy, micro and macro-prudential supervision as well as economic research at the Bank.
- The work for building the securities registry and the database with information for each security held/issued by the banking system was finalised. Through this database, were implemented the regulatory requirements of ECB 2015/730 related with the statistics on holdings

²⁹ In the framework of approximation with international practices and the programmes initiated after the Global Financial Crisis 2007-09 (GFC) for addressing the data gap through the Data Gap Initiative (DGI) approved from the G20.

³⁰ For the list of easing regulatory changes in the context of the pandemic refer to section 2.4.3.

³¹ In approximation of the regulatory requirements of the European Central Bank on credit reporting at the European Central Bank (ECB no. 2016/867).



of securities by credit institutions and their subsidiaries in Albania.

- The project “Automation of the compiling and reporting system of external sector statistics” was implemented, which builds up an important foundation for entire block of statistics. This system was installed in December 2019 and throughout 2020 there has been intensively worked on its calibration in compliance with the requirements of EUROSTAT. The system ensures:
 - o The draft of the monthly balance of payments;
 - o The reduction of the processing time from the collection phase to the publication;
 - o The use of modern methods in the production phase of statistical data;
 - o The modernisation of the production process for ensuring statistical confidentiality;
 - o The improvement of statistical quality.

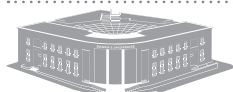
Second, the drafting of quarterly financial accounts, which constitute an important priority in order to better frequently know and the financial interactions in the economy, as well as the distribution of income and possession of financial assets among economic agents.

- In 2020, the drafting process of financial accounts received the expertise and assessment of experts from the Bank of Italy and Bank of France towards consolidating sources, methodology and assessment methods used in drafting financial accounts.

Third, the use of new analytic and modelling methods in assessing statistics, going beyond the “standard” method of assessment of official statistics. In the presence of high uncertainty, the need to have during 2020 fast (almost in real time), frequent (weekly or even daily) and credible indicators in terms of decision-making emerged. Their addressing led to the intensification of data exchange between official producers of statistics in Albania, as well as considering alternative sources, as a complement to official statistics.

The Bank of Albania was also helped by the international community of statistics producers in this process. EUROSTAT and the IMF opened specific sections at their official websites, where they continuously update the methodological announcements. Also, as a member of IFC, the Bank of Albania has been part of the discussions over the implications and alternatives of managing the impact of the pandemic situation on central banks’ statistics. These commitments ensured the qualitative production and in a timely manner of statistics conform to the statistical release calendar of the Bank of Albania, as well as the realisation of the objectives set forth in the Medium-term Development Strategy of the Bank of Albania, the National Plan for European Integration (NPEI) and the Official Statistics Programme 2017-2021.

In 2020, attention was paid to the alignment of practices for the compilation and dissemination of monetary and financial accounts statistics with the



standards of European central banks, as well as finding a long-term solution for the integration of statistical information systems according to the best standards of information management in a central bank.

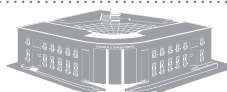
In the context of the consistency of statistics as well as the completion of the regulatory framework for EU membership, the Bank of Albania is part of joint national and international projects.

- The government finance statistics project - Excess Deficit Procedure (EDP) - and the government's financial accounts, in collaboration with INSTAT and MFE and the expertise of the IMF.

EDP - Excessive Deficit Procedure represents an important statistical block for monitoring the soundness of public finances in member and candidate countries. Starting from November 2014, Albania reports regularly the EPD (Excessive Deficit Procedure) tables to Eurostat. The inter-institutional working group on EDP consisting of BoA, INSTAT and MFE, supported by IMF assistance, has provided a positive impact on the reconsideration of government data compiled by the three institutions:

- The processing and evaluation of extra-budgetary units was finalized. The data of extra-budgetary units missing so far in GFS statistics are evaluated as complete and of good quality, and their publication/reporting within 2021 is recommended.
- The new Maastricht debt data compilation document was finalized. This document automatically compiles detailed data of debt, according to each financial instrument.
- Work was done on building an IT module/system for automated compilation of government financial statistics and development of quarterly statistics. Completion of the system is scheduled for 2021. Completion and implementation for all three institutions is a major project achievement.
- The Bank of Albania has successfully coordinated the work on the development of macroeconomic imbalance indicators (MIP indicators) for Albania, in cooperation with INSTAT and with the expertise from the European Union.

MIP- the Procedure for Identifying Macroeconomic Imbalances is part of the regulatory package aimed at improving the EU economic governance. It is an instrument for assessing and preventing macroeconomic imbalances of member states and the EU as a whole. The development of MIP is an obligation within the EU membership process. From a technical point of view, the most important component to guarantee the accuracy and usefulness of MIP is related to the fact that the data should be: obtained from widely accepted official statistical sources for their high quality; with time coverage over 10 years; and with a high level of harmonization with ESA2010 and BPM6 standards. The project



for drafting the MIP is expected to be completed in June 2021, and will be accompanied by the drafting of quality reports for the component indicators as well as the first transmission (test) of data to Eurostat.

2.10 RESEARCH

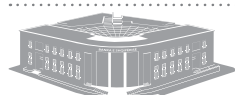
The Bank of Albania aims to base its decision-making process on the solid foundation of a body of knowledge tested on the Albanian economy. Investment in creating solid research capacities contributes to improving the Bank of Albania's qualitative work, reputation and credibility as an institution with 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.

The focus of scientific research at the Bank of Albania in 2020 was on the analysis and exploration of economic and financial phenomena in view of monetary policy and banking stability in the unprecedented conditions dictated by the Covid-19 pandemic. Other research papers addressed issues on banking supervision, monetary operations, development economics, enhancement of financial literacy, and banking challenges in the future. In accordance with its medium-term strategy, scientific research continued to support the decision-making process for drafting and implementing the policies of the Bank of Albania, testing new empirical methodologies and enriching the portfolio of econometric models on which decision-making is based.

The negative impact on the economy of the measures taken in the framework of the Covid-19 pandemic was the most discussed and researched topic during 2020. Based on the intensity of the containment measures imposed during the first wave, an increase in the level of economy lockdown is estimated to cause a fall in industrial production for each month of closure. The impact of 'closing' the economy on the unemployment rate is estimated to be low. However, the pandemic is expected to have a non-symmetric impact on the labour markets where the more affected group ages from the economic shocks are assessed to have been impacted more negatively.

The study on the soundness of financial stability of Albanian households in terms of income, the level of debt and its burden against the shock caused by Covid-19 reached the conclusion that the decline of income may lead to the increase of the debt burden to households, but without damaging their resilience and financial stability overall in the conditions where the vast majority of banking credit is owned by high-income households.

Monetary transmission is discussed through the study of the bank lending channel taking into account a panel of Central Europe and South-Eastern Europe countries (CESEE) during 2010-2018. Preliminary results suggest that



an easing monetary policy stimulates lending in all CSEE countries. However, the efficiency of the transmission varies based on group-countries and individual countries. The size of banks results to be a significant defining factor in the efficiency of the monetary policy of CESEE countries. Meanwhile in new members of the European Union is the level of capitalisation that affects the lending behaviour of banks, and due to the banking credit channel also the transmission of monetary policy.

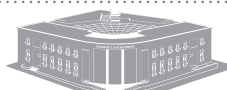
Remaining in the field of monetary policy, the conclusions of studies that analyse the behaviour of prices and detailed (micro-economic) data by components groups of the consumption basket show, there is heterogeneity of price-setting behaviour. The results suggest that goods and services prices change their behaviour every 4 or 5 months on average, where services prices are more rigid than goods ones overall. Empirical results also suggest that the rigidity in the case of price decrease appears weak during 2007-2019, particularly after 2012.

Research work with forecast models indicates that the inclusion of non-linear assessment methods bring a further improvement of the statistical precision of the existing models. Studies applied for this purpose highlight the advantages of forecast models based on these methods. This is true both in the case of artificial intelligence models and in the case of model with many variables based on Bayesian assessment models. The application of these non-linear assessment techniques is realised in the medium-term period, bringing a positive impact in the decision-making processes of the Bank of Albania.

The results of the research studies in 2020 indicate that empirical modelling is a valuable tool to assist the implementation of operational policies for good liquidity management. The empirical models studied during 2020 have helped in obtaining credible and accurate results for short-term periods up to 5 weeks and have sufficiently explained the characteristics of the market related with time expectations, seasonality and market fluctuation on specific days of a month. This empirical knowledge helps in a more precise translation and filtration of all the data available regarding liquidity management.

These and other studies have become the subject of discussion in the activities and conferences organized by the Bank of Albania or other institutions, where comments and observations have been provided for their further improvement. In this framework, BoA organised the "14th South-Eastern European Economic Research Workshop". This annual international event was organized in the form of a virtual conference. The event is considered to have fulfilled its purpose as a platform for discussing scientific research in economics and for increasing cooperation with central banks and universities in South-Eastern Europe and beyond.

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 subcategory



"Publications/Researches 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" informs about the newly completed research materials or those in process, materials presented in the "Friday Seminars", and in other scientific activities organized by the Bank of Albania.

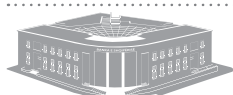
2.11 EUROPEAN INTEGRATION

The Bank of Albania has continued to contribute to the fulfilment of the obligations stemming from the Stabilization and Association Agreement, the Progress Reports of the European Commission, joint EU-Albania subcommittees and the National Plan for European Integration. It chairs two Inter-institutional Work Groups for 2 chapters of the acquis.

Albania has continued to implement obligations stemming from the Stabilization and Association Agreement (SAA) as well as from bilateral EU-Albania meetings. On 25 March 2020, the Council of the European Union approved the proposition of the European Commission on opening Albania's membership negotiations and invited the Commission to present the framework of membership negotiations for Albania. In the Decision of the European Council, Albania is required to continue the reforms undertaken as a condition for holding the first intergovernmental conference.

The Bank of Albania has continued to lead Two Inter-institutional Work Group related to chapters of the European Union acquis: Chapter 17 - "Economic and Monetary Policy" and Chapter 4 - "Free Movement of Capital". At the same time, the Bank of Albania has continued to actively contribute 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 NPEI, the legal and regulatory measures which contribute to approximating with EU acquis. The Bank of Albania has approved 100% of the regulatory measures projected in NPEI for 2020 and identified the measures foreseen for further alignment with the 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, as well as in the Economic and Financial Dialogue between the EU and Western Balkans and Turkey. In the above mentioned meetings, issues such as: drafting and implementation of monetary policy, financial stability, indicators and developments of the banking sector, financial inclusion of the population, etc. were discussed at the political and technical level.



On October 2020, the European Commission published the Progress Report 2020 for Albania. This document assesses the progress made by Albania during March 2019 - October 2020.

In the area of monetary policy the report emphasises again that the Bank of Albania 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. Further approximation of the Law of the Bank of Albania is needed.

In the area of free movement of capital, according to the Progress Report, Albania is moderately prepared, particularly in the area of payment systems, through the adoption of the Law 55/2020 "On payment services". Its adoption and implementation is considered a significant step to the integration in the Single European Payment Area (SEPA) and the requirements of Chapter 4 regarding payment services. It also enables the alignment with an important European Directive in the field of payment systems in the domestic market. The report also shows progress in the field of anti-money laundering, in fulfilling some of Moneyval's recommendations, mainly through the establishment of the inter-institutional working group, in which the Bank of Albania is part of. More specifically, the Bank of Albania has made progress in terms of the effectiveness of the process of supervision of licensed and supervised institutions in the field of anti-money laundering and combating the financing of terrorism, by ensuring enhanced monitoring and control in these entities through on-site examinations and off-site supervision analysis.

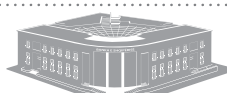
Regarding the developments in the banking sector, the Progress Report states that the Bank of Albania has continued **the approximation of the banking sector regulations with the Basel III framework**, especially in the liquidity ratio and the macro-prudential policy framework. Progress has also been made on alignment with the EU acquis in the area of resolution.

2.12 INTERNATIONAL COOPERATION

RELATIONS WITH THE INTERNATIONAL MONETARY FUND

The Republic of Albania continues to have SDR 139.3 million quotas and owns 2,858 votes or 0.06% of the total amount 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 up to 31 December 2020 is SDR 388.9 million.

Albania's relations with the IMF continue to focus on the Article IV consultations. The Executive Board of the International Monetary Fund concluded the First Post-Program Monitoring review with Albania on 23 November.



In April 2020, the IMF's Executive Board approved USD 190.5 million as emergency financial assistance for Albania to combat the COVID-19 Pandemic disbursed under the Rapid Financing Instrument. The immediate challenge is to respond effectively by strengthening health care and mitigating the effects in the sectors and households most affected by the crisis.

Executive Directors commended the Albanian authorities for maintaining macroeconomic and financial stability thus far, and welcomed their responses to support lives and livelihoods in response to the November 2019 earthquake and the COVID-19 pandemic.

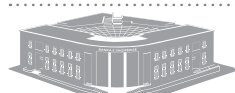
RELATIONS WITH THE WORLD BANK GROUP

The World Bank Group started its work in Albania in 1991 and has supported a number of projects aiming at immediate mitigation of poverty and the provision of sustainable and long-term development tools to drive further growth. In the two decades of involvement in Albania, the World Bank Group has provided over USD 2.2 billion in assistance through commitments from the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Currently, there are 12 projects amounting to a total of USD 738 million, under IDA (USD 35 million) and IBRD (USD 703 million) loans, as well as USD 24 million in grant form.

TECHNICAL COOPERATION

During 2020, the Bank of Albania has implemented the twinning project with IPA funds "Enhancing Bank of Albania's alignment with Acquis" in the framework of approximation with the legislation of the European Union", with Banca d' Italia and Deutsche Bundesbank and the support of the National Bank of Romania and Banque de France. The main implementation areas of the project were: i) Strengthening institutional capacities of the Bank of Albania through the alignment with the model of the European System of Central Banks regarding: independence; accountability, transparency and internal audit; ii) Strengthening the supervision role and financial stability in compliance with the European framework and best international practices, and the further deepening of anti-money laundering and combating terrorism financing ; 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 the guaranteeing of the stability of both financial market and external position of the country; iv) strengthening management capacities of the Bank of Albania.

Due to the Covid-19 pandemic the project was suspended for 3 months, to continue following under online platform. As at end 2020 were realised: 59 activities (group events, study visits etc.) or otherwise 98% of the starting plan.



105 events (missions, webinars, etc.): 99% of the starting plan. 72 experts took part in this project who offered their expertise to around 78 employees of the Bank of Albania.

Also, 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” has continued. 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.

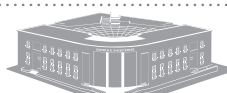
This project as well, due to the situation created by the Covid-19 pandemic, was initially suspended only to continue online. Regarding the first component, thus far, 13 of 3-day trainings have been conducted out of 20. A high level seminar was also held (out of 2 seminars in total). Regarding the second component, the bilateral measures have been rescheduled online as well as the internship with the Bank of Austria.

Over the past year, cooperation with the London School of Economics and Political Science has continued. The Annual Conference on: “COVID-19: The Impact on the Economy and Central Bank Policies” was organised in October 2020. The purpose of this regular conference was to provide a discussing platform of COVID-19 impact on the real economy both in advanced economies and in Europe’s emerging markets; how central banks have adapted their policy toolkits to respond to the challenges arisen in the situation created by the pandemic, with special focus on the South-Eastern European countries, and in Albania.

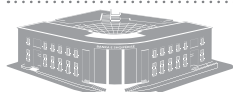
In the framework of the cooperation with LSE, on 26 February 2020, Governor Sejko delivered a lecture at the premises of the London School of Economics and Political Science (LSE) on “Financial Challenges in Small Open Economies - Central Bank Perspective”. This lecture was organized in the framework of the Bank of Albania’s ongoing cooperation with the London School of Economics and Political Science (LSE) and was attended by international experts in economy, academic body of the University, and foreign and Albanian students of this University.

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 14-15 January 2020, 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 Forum brings together prominent international personalities in the fields of politics, economy and finance from the CEE countries.
- On 26 February 2020, Governor Sejko delivered a lecture on “Financial Challenges in Small Open Economies – A Central Bank Perspective”, hosted by London School of Economics and Political Sciences (LSE).
- On 28 February 2020, the Governor of the Bank of Albania, Mr Gent Sejko, attended the meeting of the constituency in the International Monetary Fund (IMF)/World Bank Group (WB), in Athens, Greece. 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 1 June 2020, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 43rd Meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries. The meeting held online was attended by Governors of Club member countries: such as: The Central Bank of the Republic of Turkey, the Bank of Slovenia, the National Bank of Romania, the Bulgarian National Bank, the Czech National Bank, the Bank of Greece, the Central Bank of Montenegro, the National Bank of Serbia, the Bank of Israel, the National Bank of Poland, the People’s Bank of China, etc.
- On 9 October 2020, the Governor of the Bank of Albania, Mr Gent Sejko, in the capacity of the Governor of the Republic of Albania at the IMF, attended the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WB), virtually.
- On 19 October 2020, the Governor of the Bank of Albania, Mr Gent Sejko, and the Minister of Finance and Economy, Ms Anila Denaj, had virtual meetings with Ms Anna Bjerde, the World Bank Vice President for Europe and Central Asia, and with Mr Alfred Kammer, Director of the European Department at the International Monetary Fund, in the framework of the Virtual Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG).
- On 22 October 2020, the Governor of the Bank of Albania, Mr Gent Sejko, in the capacity of the Governor of the Republic of Albania in the International Monetary Fund (IMF), attended the virtual meeting of the Ministers of Finance and Governors of the Central Banks of the Central, Eastern and South-eastern European (CESEE) countries with the Managing Director of IMF, Ms Kristalina Georgieva, in the framework of the Annual Meetings of (IMF) and the World Bank Group (WB).



2.13 ADVISOR'S ROLE AND COORDINATION WITH OTHER PUBLIC INSTITUTIONS

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 country 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.

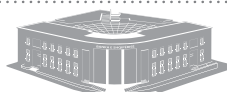
In 2020, the Bank of Albania provided its opinion on the Medium-Term Public Debt Management Strategy, 2021-2023. The Bank of Albania highlighted the importance of continuing with the consolidation of public debt and the direction of policies for its reduction in the medium-term to safeguard macroeconomic stability in Albania, as a necessary precondition in achieving public debt sustainability. Also, in its opinion, the Bank suggested maintaining the foreign debt ratio to total debt, while being attentive that this ratio does not increase. In this way, the country's exposure to shocks in foreign markets is reduced.

In the framework of the implementation of the project by the Ministry of Finance and Economy for the issuance of benchmark securities of public debt through selected financial intermediaries, the Bank of Albania has continued its commitment for the full and successful implementation of this project. This project aims at developing the primary and secondary markets of government debt securities, contributing to the transmission of the monetary policy of the Bank of Albania.

The development of securities markets through the completion of the regulatory framework has been the main object of cooperation between the Bank of Albania and the Financial Supervisory Authority.

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 the domestic markets, minimise the volatility of interest rates and improve the forecast of liquidity needs from the banking system.

The Bank of Albania is a member of the Financial Stability Advisory Group (FSAG). In 2020 as well, the Bank of Albania has shared information and has coordinated its actions with other public authorities, which are members of FSAG. In addition to assessments on the situation of the financial system and how they are impacted by the effects of the pandemic, it has cooperated



with relevant agencies in the framework of the Twinning project, and certain processes such as those of stress tests and resolution.

The Bank of Albania chairs the National Payment System Committee (NPSC), an inter-institutional body of strategic, consultative and communicative nature, whose decisions aim to contribute to increasing the security, stability and efficiency of the national payment system in Albania. The Committee, since 2018 has undertaken a key role in promoting financial inclusion and literacy, and promoting the use of electronic instruments. In this context, the objective of the Committee and the measures taken in this regard are intertwined with a number of national and regional initiatives where we can mention the Inter-Institutional Working Group for the Development of Electronic Trade in Albania, the National Diaspora and Emigration Strategy, and the action plan for the Common Regional Market in the framework with CEFTA.

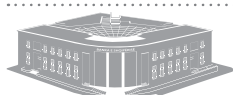
2.14 TRANSPARENCY AND PUBLIC COMMUNICATION

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

AN OPEN AND TRANSPARENT CENTRAL BANK

Year 2020 was a difficult and challenging year to the Albanian economy due to the situation created by the pandemic and communication with the public has responded to the challenges created by this situation. In this context, the communication with the public aimed to inform it with the immediate and continuous measures taken by the Bank of Albania to minimize the consequences of the pandemic on the Albanian economy and financial system in particular and to support citizens and businesses affected by the aggravated financial situation created by pandemic.

A special section was created on our website where all citizens could receive a variety of information from the decision-making of the Supervisory Council to the daily operational activity of the Bank of Albania, to mitigate the negative effects caused by the pandemic on the well-being of households and enterprises. This transparent communication helped increasing the effectiveness of policies pursued by the Bank of Albania, prompting the public to understand the decisions taken by it in a timely and clear manner, and also to be able to fairly evaluate them.



During 2020 Q2, which was also the period with the greatest restriction of distancing measures, 27 interviews of Administrators and representatives of the Bank of Albania were conducted in order to inform the public on the measures taken by the Bank of Albania to cope with the situation. Also, during this quarter there was an increased flow of public requests for information, regarding the modalities of deferring loan instalments for borrowers of banks and non-bank institutions, requests that have received a full response in a very efficient time.

Starting from March 2020, all public activities of the Bank of Albania were conducted in the online format in compliance with the measures to minimize the spread of the pandemic.

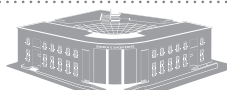
Bank of Albania's communication is further complemented continuously and in real time with a number of periodic reports, observations, analyses, data, evaluations and opinions of the Bank of Albania on the macroeconomic situation of Albania and the role of the Bank in supporting its financial stability.

An important place in communication with the public is occupied by communication with the media. In 2020, media communication continued through press conferences, speeches, presentations and press releases held in activities organized by the Bank of Albania or other domestic and foreign institutions, interviews or participation in dedicated TV programmes, and expression of views on specific issues of interest to the Bank of Albania or other public activities of the Governor and other BoA's representatives. Seven online presentations of its periodic reports were held "off the record" for the media during this year. 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.

To enhancing interaction with the public, in 2020, we continued digital communication through social networks such as Twitter (information), Facebook (financial literacy), YouTube (video) and Flickr (photo) to present the general activities of the Bank of Albania to the public, in a timely and comprehensive manner.

ACTIVITIES WITHIN THE COUNTRY

- *On 13 May 2020, the Bank of Albania organised a discussion forum with the banking system and business community on: "Bank - Business relationships: Common economic challenges in face of the global pandemic Covid-19. The meeting initiated and organized under the auspices of Governor Sejko at the premises of the Bank of Albania, aimed at encouraging the collaboration between these two groups of interest to counter the common economic challenges caused by the Covid-19 pandemic and the providing of platform to share views and needs on the instruments to be employed and the further measures to be taken.*



- On 29 October 2020, the Bank of Albania co-organised with the London School of Economics and Political Science (LSE) the Virtual Conference: "COVID-19: The Impact on the Economy and Central Bank Policies". The conference brought together senior central bankers from the region, policy makers in the fields of economy and finances, representatives from international financial institutions, market participants and leading academics. The purpose of this regular conference was to provide a discussing platform of COVID-19 impact on the real economy both in advanced economies and in Europe's emerging markets; how central banks have adapted their policy toolkits to respond to the challenges arisen in the situation created by pandemic, with special focus in South-Eastern European countries, and in Albania.

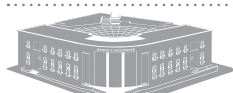
The closing panel, the Governors' panel, chaired by Ms Danae Kyriakopoulou, Chief Economist, OMFIF, brought together central bankers and international experts, namely: First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi, Governor of the National Bank of the Republic of North Macedonia, Ms Anita Angelovska Bezhoska; Governor of the National Bank of Croatia, Mr Boris Vujčić; Deputy Governor, National Bank of Romania, Mr Leonardo Badea; Chief Economics Commentator, Financial Times, Mr Martin Wolf; Director, Economic Analysis and Research Department, Oesterreichische Nationalbank, Ms Doris Ritzberger-Grünwald; and the former Governor of Central Bank of Argentina and former Executive Director of the Bank of England, Mr Mario Blejer.

- On 10-11 December 2020, the Bank of Albania organized the 14th SEE Economic Research Workshop. This workshop serves as a discussion forum on the researchers conducted by the Bank of Albania throughout 2020, and promotes the exchange of views among researchers from the Bank of Albania, other central bankers, academia, scholars and policy-makers in the region and beyond, on the results of scientific research on issues related to the activity of central banks.
- On 21 December 2020, under the auspices of the Governor of the Bank of Albania, Mr Gent Sejko, the ceremony for the "Governor's Award for the Best Diploma Thesis - 2020", took place virtually. This first prize was awarded to Ms Megi Jaupi, a student at the ETH Zurich University, Switzerland, on the topic "Generative Adversarial Networks for Multivariate Return Simulation and Robust Portfolio Optimization"; the second prize was awarded to Mr Argi Hanku, a student at the Vienna University, Austria, on the topic "Evaluating Low Frequency Liquidity Proxies"; and third prize was awarded to Ms Eda Meta, a student at the Berlin University, "Berlin School of Economics and Law", Germany on the topic "Assessment of the impact of CoCo bonds on banks".

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) and plenary sessions of the Parliament are the most significant ones. In June 2020, the governor presented the Annual Report of the Bank of Albania to CEF and in August to the Parliament of Albania, responding to MP's interest in issues related to it.

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

Throughout 2020, the Bank of Albania continued to regularly update its website, which had about 1.3 million visitors, who checked our page around 3.7 million times and browsed in total about 6.4 million sections.

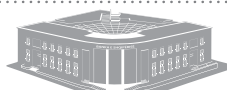
Periodic and non-periodic publications, in 2020, consisted of about 4500 pages of analyses, statistics and researches in both Albanian and English, and represent the highest number of pages published by the Bank of Albania on the last decade. The set of periodic reports has maintained the same structure as in the previous year: Annual Report, Quarterly Monetary Policy Report, Financial Stability Report (semi-annual) and Annual Supervision Report. In addition to periodic reports, the following were published 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 2019 "A Brave New World? The Future of Banking in Emerging Europe", as well as various research papers and educational publications.

In 2020, the Bank of Albania continued the free distribution all its publications, taking into account the social responsibility to reduce paper publications.

In order to inform the public, the Bank of Albania responds to the many requests of the citizens in writing or in electronic form, depending on how they want to receive this information. In 2020, replies were provided to 80 official requests sent to the coordinator for the right of information, about 1200 e-mails to the general electronic address of the Bank of Albania, and about 630 messages with requests for information delivered at our Facebook account.

2.15 FINANCIAL EDUCATION

Financial education for the public is a significant 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.



Educational publications. In 2020, the distribution of the teaching text "Personal finances in your hands" for 4 high schools, which have chosen to deliver this subject (a total of 560 textbooks), has continued, in addition to the distribution of brochures and educational materials prepared in previous years mainly for Museum visitors.

The Museum of the Bank of Albania. Since October 2015, the Museum of the Bank of Albania has served as a promoter of the communication between the Bank and the public. Tour guides, exhibits, interactive games, as well as the information published at the Museum acquaint the visitor with the history of monetary circulation over the centuries, as well as with concepts of financial literacy. In this Museum, those who are passionate about the field of numismatics and financial and economic history also find themselves. During 2020, due to the COVID-19 pandemic, the Museum of the Bank of Albania was visited by a small number of visitors, around 700. However, all measures have been taken to keep the Museum open, by implementing the anti-COVID measures.

Promotion of the numismatic collection of the Bank of Albania: At the Museum of the Bank of Albania, visitors and the general public can buy the numismatic collection of Albanian coins and banknotes. During 2020, there were a high number of people interested in purchasing this collection, which is collected or can be used as a gift. The prices of the numismatic collection for sale are published on the official website of the Bank of Albania. The numismatic collection for sale is enriched with new issues of the Bank of Albania. During 2020, the collection for sale was enriched with 3 commemorative coins and a medallion, in addition to the new denominations of banknotes and their specimen, put into 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, by advising and recommending improvements or reviews of these processes and functions.

3.1. HIGHLIGHTS IN INTERNAL AUDIT

A. IMPLEMENTATION OF THE INTERNAL AUDIT POLICY

The Annual Internal Audit Plan at the Bank of Albania was reviewed and approved in accordance with International Standards on Auditing. The annual plan for 2020 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. 77, dated 18.12.2019.

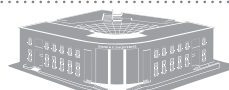
B. INTERNAL AUDIT QUALITY ASSESSMENT PROGRAMME

The International standards for the Professional Practice of Internal Auditing (hereinafter "the Standards") require that an External Quality Assessment (EQA) of the internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the institution.

An independent team of the Audit Department of the Central Bank of the Republic of Turkey (CBRT) conducted this assessment (EQA) under the Joint Technical Cooperation Programme between the Bank of Turkey and the Bank of Albania.

The overall opinion is that the BoA's Internal Audit Activity is "Overall Compliant",³² the highest rating with the Standards of the Institute of Internal Auditors (IIA) and the Code of Ethics according to the IIA Quality Assessment

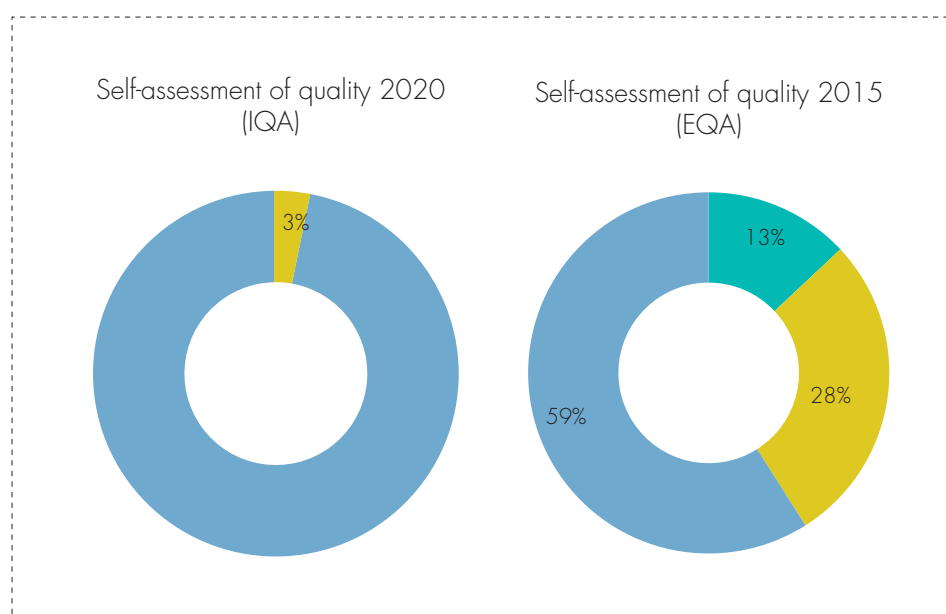
³² The IIA Quality Assessment Manual suggests a three-point scale, "Overall compliant", "Partially compliant" and "Non-compliant".



Manual (published in 2017) and demonstrated the capabilities of a function as "Integrated"³³ (Level 3) according to the IIA Maturity Model for the Public Sector. This level of compliance demonstrates the clear goal and commitment to achieving the Core Principles for the Professional Practice of Internal Audit and the Definition of Internal Audit.

Compared to the latest EQA assessment conducted by the Central Bank of the Netherlands, this assessment highlights the improvement in the Internal Audit practice of the Bank of Albania as evidenced below.

Compliance levels according EQA	Standards assessed during EQA by level of compatibility 2020	Standards assessed during EQA by level of compatibility 2015
Non-compliant	0	14
Partially compliant	3	29
Overall compliant	101	61
Overall assessment	Overall compliant	Partially compliant
Total	104	104



C. REVIEW OF THE INTERNAL AUDIT MANUAL IN THE FRAMEWORK OF THE IMPLEMENTATION OF THE IPA PROJECT

In the framework of the Twinning project with the Central Bank of Italy and the Bank of Romania, the Internal Audit Manual was reviewed and adapted to the European framework as well as to the latest Standards of International Professional Practice Internal Audit. Some of the most important reviews of this

³³ The IIA Capacity Model for the Public Sector illustrates 5 phases through which an IA activity can be developed as it defines implements, measures, and controls and improves its processes and practices by levels: "Beginner", "Structured", "Integrated", "Managed" and "Optimized".



Manual were:

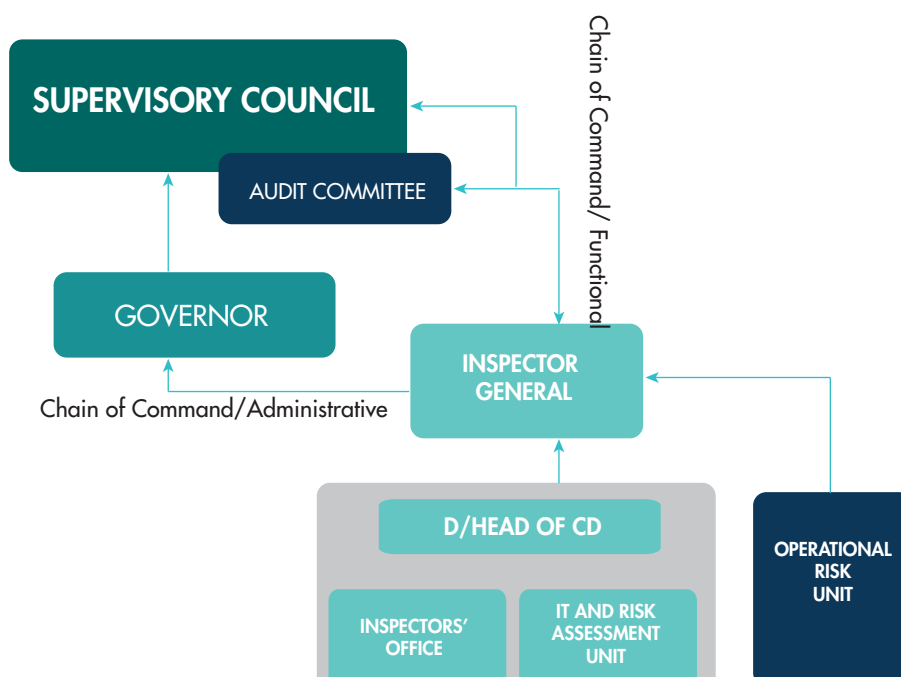
- Reviewing the annual planning procedure with the risk-based method and the mechanism for updating the Audit Universe;
- Audit sampling methods including statistical and non-statistical methods;
- New annex on data analytics and their use during audit engagements;
- Model Audit Programmes on the main activities of the Central Bank: financial stability, foreign currency reserve operations, monetary policy (macroeconomic modelling), monetary policy decision, monetary policy operations, payment systems;
- Developing a programme for evaluating the quality of Internal Audit and build key performance indicators of IA activity.

3.2. ABOUT THE CONTROL DEPARTMENT

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

A. ORGANIZATIONAL STRUCTURE OF AUDIT DEPARTMENT

The organizational structure under the responsibility of the Inspector General:



B. 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 online training programmes for internal audit and risk management provided by central banks; they have attended individual programmes 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 programmes and minimum mandatory classes for upholding CIDA, ACCA, CA titles.

3.3. ENGAGEMENTS AND MAIN FINDINGS IN 2020

Audit engagements in 2020 focused on: giving an opinion on the adequacy of the internal audits set by the Management for the audited functions/processes, including applications supporting activities.

In 2020, in total, 20 recommendations resulted from 11 audit engagements for security. The recommendations mainly addressed the need for reviewing the regulatory base (45%), improving the processes (15%) and implementation of the regulatory base.

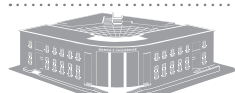
The findings and recommendations for each of the audits carried out during this period were first addressed to the heads of the units and then to the Bank of Albania's Administrators.

3.4. 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.

A. DEVELOPMENT ON OPERATIONAL RISK MANAGEMENT IN 2020

In 2020, 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. The focus in 2020 was particularly on the preventive measures and the impact of the pandemic on the activity of the Bank of Albania, their qualitative well-management and in a timely manner.



B. 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 part.

Following this process, based on the annual assessment for 2020, the progress of the maturity level of Operational Risk Management in BoA is presented as 'managed'- at 76%, in full compliance with the expectations of the Bank of Albania, maintaining this level despite the effects of the pandemic. The situation of this year (the Covid-19 pandemic), strengthened the activity of the unit to be prepared in time to coordinate with the Bank units and the Crisis Management Group the uninterrupted continuation of the Bank's activity without compromising its objectives. This level fully complies with the medium-term objectives of the ORM function at the Bank of Albania.

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

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

This process includes: approval of the Operational Risk Tolerance level by the Supervisory Council; drafting and approval of action plans by the Administrators; periodic review and reassessment of operational risks.

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.

C. BUSINESS CONTINUITY MANAGEMENT (BCM) AT THE BANK OF ALBANIA

In 2019, the Supervisory Council approved the full framework related with the Business Continuity Management at the Bank of Albania. The purpose of Business Continuity Management is that 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.

Crises expose the strengths and weaknesses of any organization's governance, as well as their ability and flexibility to manage through the crisis. The earthquake and the Covid-19 pandemic during 2020 were challenges, which



were overcome successfully and with lessons learned on risk and the business continuity management at the Bank of Albania (BCM), by considering also the short time of implementation of the BCM programme. Risk prevention, continuity planning and improvement in the management of major shocks are crucial to ensure the sustainability of the institution.

All the main activities of the Bank of Albania have continued to operate smoothly, without any interruption. Operational teams have fulfilled their duties and responsibilities in the face of the emergency created.

D. WHISTLEBLOWING FUNCTION AT THE BANK OF ALBANIA

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

- a) prevent and suppress corruption at the Bank of Albania; b) promote alerts on suspected corruption acts or practices; c) protect whistle-blowers who signal suspected corruption acts or practices in their workplace.

The year 2020 has functioned with the full regulatory framework and tools needed to stimulate and raise employee's awareness to signal suspect cases of corrupt practices.



4. HUMAN RESOURCES

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

Pursuant to the medium-term strategic objectives of the Bank, the human resources management has aimed to continuously acquire and implement the best practices and examples in this field, which are applied in similar institutions in the European Union, taking into account the new conditions and developments that arose as a result of the pandemic during the last year. The pursuit of consolidated policies on employment, management and career promotion of human capacities for a structured professional and flexible organization remains one of the main goals of the Bank. We also emphasise, that rationalising the organizational structure and improving the Bank's effectiveness, in line with its strategic objectives and the relevant regulatory framework, are priorities of these policies.

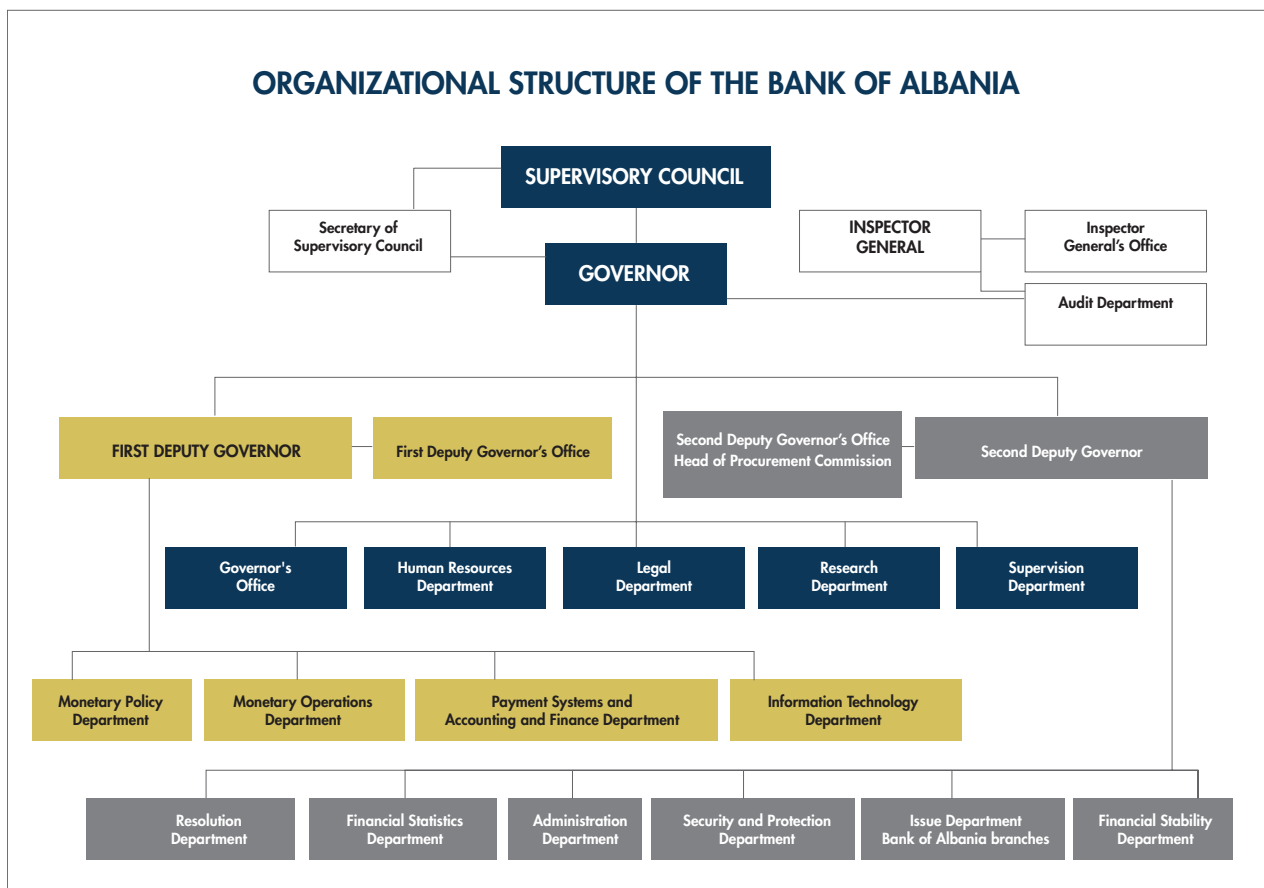
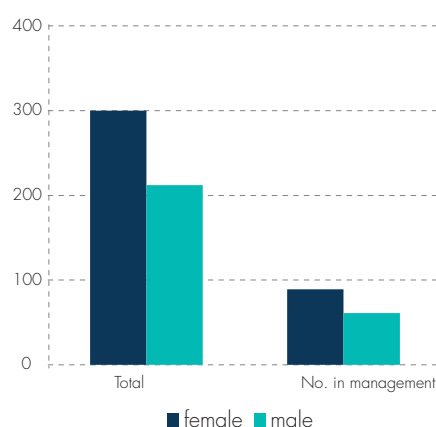


Chart 41. Male/female ratio at the Bank of Albania



Source: Bank of Albania.

Proper human resources management requires adapting the institution's regulatory infrastructure to the best standards, by providing promotion opportunities for professional employees, aiming at increasing employee's 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.

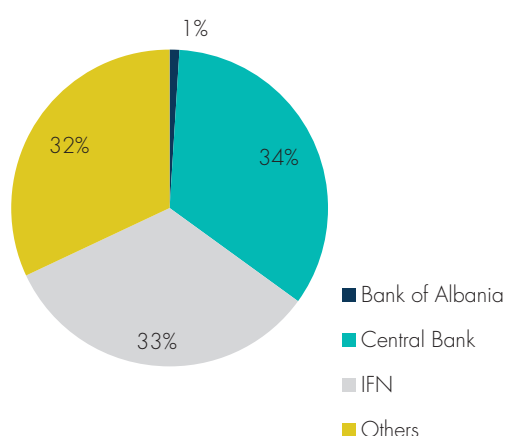
Gender representation at the level of specialists and managers is balanced. The ratio of women to men in total employees is 58% - 42%, while this ratio at the management level is 59% - 41%.

In 2020, in the framework of redesigning the role of some units of the Bank, some changes were made to the organizational structure of the Bank. These changes aimed to improve and strengthen some important processes, as well as better adaptation of the structures of some of the Bank's units with specific tasks stemming from the objectives and activity of the institution.

Special attention is paid to combining professional staff with the new one. The average age of the staff is 43 years old. 88% of employees in the Bank have higher education. 58% of employees have completed postgraduate studies at the Master / PHD level, and have obtained internationally-recognised professional certificates. About 38% have completed postgraduate studies in the country and 20% in prestigious universities abroad.

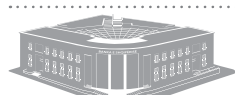
Another important element of human resource policy is the identification of interpersonal and professional skills and their usage to train and build professional capacities of employees, through professional trainings they have attended in Albania and abroad. Participation in these specialized training,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

Chart 42. Participation in trainings by hosting institution



Source: Bank of Albania.

Breaking down hosting of trainings, 34% of trainings were offered by European central banks, such as: Bank of England, the European Central Bank, Bank of France, Bank of Italy, Bank of Germany, etc. The trainings conducted by International Financial Institutions accounted for 33% of the training offered courses hosted by the International Monetary Fund (IMF) and the World Bank, as well as 32% participants



in activities hosted by Centre of Excellence in Finance (CEF), EUROSTAT, Joint Vienna Institute (JVI) etc.

Compared to the previous years, in 2020, we note that we have a continuity of participants in training activities within Albania due to the encouraging of the Bank of Albania and the conversion of these activities online as well as a decrease of the number of training participations outside Albania due to the pandemic. Most of the professional trainings in 2020 were conducted on Policy and Monetary Operations (27.08%), Financial Statistics (12.5%), Banking Supervision (10.42%), Payment Systems (8.33%) and Econometrics and Modelling (5.21%).

The rest of trainings have been organised in areas such as: internal auditing, resolution, information technology, accounting and finance, central banking, etc. It should be noted that the largest number of professional training is focused on building the central bank's institutional capacity to fulfil its core functions.

AGREEMENTS AND COLLABORATION

Also, in 2020, a part of the activities were realized in the framework of the cooperation agreements of the Bank with homologue institutions such as: Bank of Kosovo, SECO (State Secretariat for Economic Affairs), European Commission, ECB and Bank of Germany, EBA (European Banking Authority), etc. Eleven different activities, with the participation of 52 employees, are realised in the framework of these agreements, aiming at acquiring the targeted and specific information.



5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2021-2023

The Medium-term Development Strategy is a guideline for the activities of the Bank of Albania for 2021-2023. The strategy identifies the challenges faced by the institution and sets out the main objectives, by planning the necessary activities to accomplish them.

The Strategy serves as a guiding framework for the budgeting process in the Bank of Albania. The process of forecasting expenditures and revenues is organized in order to fulfil the duties assigned by the organic law and strategic objectives.

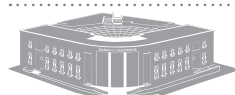
The approval of the Strategy by the Supervisory Council is an important aspect of the role of the highest decision-making and supervisory body of the Bank of Albania. This is also an essential element of good governance of the institution, in terms of division of responsibilities, between governing bodies, to set priorities, determine the means for their fulfilment and monitor the performance achieved.

The update extends the duration of the existing strategy beyond 2022, thus providing the necessary programmatic support for the Medium-term Preliminary Budget for 2022 and 2023. Where necessary, new targets for 2021-2023 have been set, or existing targets have been changed.

The update also reflects the measures taken by the Bank of Albania, in the field of monetary policy and banking and financial supervision, to mitigate the impact of the Covid-19 pandemic on the economy and to support citizens.

The strategy keeps the mission, vision and core values of the institution unchanged. The organic law sets out the priorities in the BoA's activity in fulfilling its mission and vision. In line with the main objective of price stability, the Bank of Albania promotes and supports: (i) the foreign exchange system; (ii) the internal financial market; (iii) payment systems; and (iv) improvement of monetary and lending conditions in support of the country's stability and economic developments.

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 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. The objectives of the strategy aim to be: (i) clear and understandable; (ii) feasible considering the human and financial resources, staff experience and qualification, and the external factors; and (iii) achievable within the medium-term period.

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

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 aim at increasing the effectiveness of monetary policy drafting, enhancing flexibility of its instruments, improving communication with the public, and strengthening cooperation with national and international partners, for the purpose of increasing the synergy of domestic economic policies and supporting the European integration process.

b) *Promoting financial system stability*

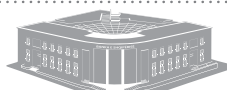
The final objective of the macro-prudential policy is to help safeguard the stability of the entire financial system by preventing and mitigating systemic risks and strengthening the resilience of the financial system. BoA will engage in the assessment, monitoring and identification of the actions for addressing financial system risks, focusing in particular on systemic risk and the banking sector.

Banking supervision will continue to focus on providing a sound financial system, which guarantees public confidence, ensures stability and contributes to a stable economic growth. The development of the regulatory framework will continue to be oriented towards alignment with the Basel III standards and the European Union legislation. The effects of the Covid-19 pandemic on credit, liquidity, information technology and systems security risks, as well as the planning of capital needs of financial entities will also be monitored and assessed. Banks will be oriented towards a risk-based approach, to address and mitigate, in a timely manner, the increased risks and weaknesses identified as a result of the pandemic.

The Bank of Albania, in capacity as resolution authority, will focus on extending the resolution planning - currently carried out for systemically important banks - to all banks.

c) *Promoting the smooth operation of payment systems*

The BoA will continue to work on expanding institutional capacity and will complete the regulatory framework needed to conduct effective oversight of



the operators for the infrastructures of securities clearing and settlements. Work will also be done on consolidating an easing regulatory environment for retail payments, drafting bylaws for implementing the Law "On Payment Services", and adopting the EU Payment Accounts Directive.

d) *Improving currency quality*

BoA aims to maintain the quality of the banknotes in circulation, in order to increase the trust of the public in the currency. The main goals are fulfilling the need of the economy for money available to adequate to circulate, improving the quality of the banknotes, to protect against counterfeiting and to improve the administration and to strengthen the physical security of monetary values. BoA will continue the work for the production and circulation of the new series of 500, 1000 and 2000 Lekë denomination banknotes, as well as the new 10,000 Lekë denomination.

e) *Foreign reserve management*

In order to manage better the foreign reserve, the Bank of Albania aims at diversifying investment instruments including: (i) Future contracts; (ii) Reverse REPO; (iii) mortgage backed security; (iv) inflation linked bonds.

f) *Drafting and distribution of statistics*

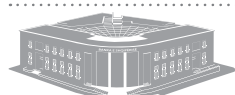
The main objectives in the field of preparation and distribution of statistics are: development and implementation of international standards and requirements; improving the infrastructure in the collection, processing and distribution of statistical information; and the addition of new statistical indicators, in line with the obligations arising from the Action Plan for Economic, Monetary and Financial Statistics for the candidate countries in the European Union.

g) *Scientific Research*

The main medium-term objective in the area of scientific research is to integrate the results of economic research and empirical analyses, in order to help monetary policy decision-making, financial stability and financial market regulation, as well as other aspects of central banking.

h) *Strengthening the good governance of the institution*

Strengthening the governance of the BoA aims, firstly to increase the independence of the institution, in accordance with the Treaty of the European Union standards and the Statute of the European System of Central Banks. Good governance also means accountability for the functions, physical, human and financial resources of the institution. This includes further harmonisation with the International Standards of Financial Reporting and the improvement of the interconnection of the processes of strategic planning and budgeting.

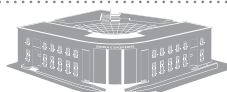


BoA is committed in developing stable human resources, to guarantee the sustainability of services and addressing new challenges. Human resource management has taken on a special significance in the context of the Covid-19 emergency situation, which challenged traditional working models, necessitating dynamic measures for coordination between units and employees, without bypassing the maximum provision of healthcare at work.

Internal Audit serves as a trusted advisor to administrators and the Audit Committee. The main objectives for the period 2021-2023 are focused on ensuring compliance with international standards of internal audit and providing assistance towards strengthening the role of the Audit Committee.

Work will also continue to increase and consolidate the maturity level of the operational risk management framework. With the completion of the project for the design and implementation of the Business Continuity Management Programme, the main objective for the medium-term is its awareness, completion; ongoing testing and maintenance, taking into account the suggestions and issues raised by the crisis operational teams, activated during the management of the pandemic caused by Covid-19.

Information technology policy will be oriented towards improving infrastructure, process automation, adding and improving electronic services, always guided by security in information technology.



FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(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 the Bank of Albania (the "Bank"), which comprise the statement of financial position as at 31 December 2020, 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 2020 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 the 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 the Institute of Authorized 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 INFORMATION INCLUDED IN THE BANK OF ALBANIA 2020 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

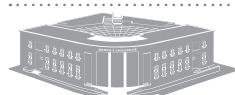
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud 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 Statutory Auditors,
Branch in Albania*

Ernst & Young Certified Auditors

Mario Vangjel

Statutory Auditor

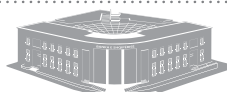
March 24, 2021

Tirana, Albania

Nikolay Garnev

Partner, Audit

Ernst & Young Audit OOD

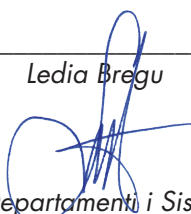


STATEMENT OF FINANCIAL POSITION

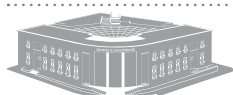
In ALL million	Note	31 December 2020	31 December 2019
ASSETS			
Cash and balances with banks	9	200,578	153,313
Trading assets	13	14,213	14,624
Monetary gold	10	16,817	14,591
Accounts with the International Monetary Fund	11	44,720	30,552
Loans to banks	12	32,671	33,956
Investment securities	14	295,201	269,065
Property, equipment, right-of-use and intangible assets	15	20,364	20,271
Other assets	16	2,836	2,960
TOTAL ASSETS		627,401	539,333
LIABILITIES			
Currency in circulation	17	355,238	302,849
Due to banks	18	178,815	130,764
Deposits and borrowings from third parties	19	2,485	3,279
Due to Government and public institutions	20	34,431	45,154
Due to the International Monetary Fund	11	23,219	24,037
Other liabilities	21	995	1,538
TOTAL LIABILITIES		595,184	507,621
CAPITAL AND RESERVES			
Capital		2,500	2,500
Reserves	22	29,716	29,212
TOTAL CAPITAL AND RESERVES		32,216	31,712
TOTAL LIABILITIES, CAPITAL AND RESERVES		627,401	539,333

The financial statements were authorized for issuance by the Supervisory Council of the Bank of Albania and signed on 24 March 2021 on its behalf by:


Gent Sejko
Guvernator


Ledia Bregu
Drejtore, Departamenti i Sistemeve të
Pagesave, Kontabilitetit dhe Financës

The notes on pages 124 to 186 are an integral part of these financial statements.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In ALL million	Note	2020	2019
Interest income calculated using the effective interest method	23	2,663	3,211
Interest expense	23	(960)	(1,072)
Net interest income		1,703	2,139
Fee and commission income		94	93
Fee and commission expense		(51)	(43)
Net income from fees and commissions		43	50
Net trading income	24	877	595
Net Income from sales of Financial assets at FVOCI	25	1,120	929
Net other income		44	19
Net gain from changes in the fair value of monetary gold	10	2,226	1,635
Net foreign exchange losses	22	(2,911)	(1,004)
Total income from banking operations		3,101	4,363
Impairment losses on financial instruments, net	8(E)(vi)(b)	(10)	3
Employee benefit expenses	26	(1,420)	(1,411)
Depreciation and amortization	15	(370)	(406)
Other general and administrative expenses	27	(553)	(571)
Net result for the period		749	1,977
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		1,243	642
Debt instruments at FVOCI – net change in fair value	22	1,243	642
Other comprehensive income, loss for the year		1,243	642
Total comprehensive income/(loss) for the year		1,991	2,619

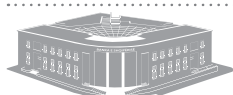
The notes on pages 124 to 186 are an integral part of these financial statements.



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 2019	2,500	12,500	(6,850)	241	22,100		30,491
Total comprehensive income							
Net result for the period	-	-	-	-	-	1,977	1,977
Other comprehensive income							
Fair value reserve (debt instruments FVOCI)	-	-	-	639	-	-	639
Other comprehensive income, net of tax	-	-	-	639	-	-	639
Total comprehensive income				639		1,977	2,616
Contributions and distributions							
Distribution to Government of Albania (Note 20)	-	-	-	-	(52)	(1,346)	(1,398)
Total contributions and distributions	-	-	-	-	(52)	(1,346)	(1,346)
Transfers to reserves (Note 22)			631	(15)	18	(631)	3
Balance at 31 December 2019	2,500	12,500	(6,219)	865	22,065	-	31,712
Total comprehensive income							
Net result for the period	-	-	-	-	-	748	748
Other comprehensive income							
Fair value reserve (debt instruments FVOCI)	-	-	-	1,243	-	-	1,243
Other comprehensive income, net of tax	-	-	-	1,243	-	-	1,243
Total comprehensive income	-	-	-	1,243		748	1,991
Contributions and distributions							
Distribution to Government of Albania (Note 20)	-	-	-	-	(52)	(1,435)	(1,487)
Total contributions and distributions	-	-	-	-	(52)	(1,435)	(1,487)
Transfers to reserves (Note 22)			(686)	18	(18)	686	-
Balance at 31 December 2020	2,500	12,500	(6,904)	2,126	21,995	-	32,216

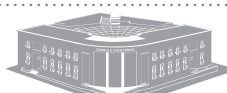
The notes on pages 124 to 186 are an integral part of these financial statements.



STATEMENT OF CASH FLOWS F53

In ALL million	Note	2020	2019
Cash flows from operating activities			
Net result for the period		749	1,977
Adjustments for:			
Depreciation and amortization	15	370	406
Net impairment loss on financials instruments	7(A)vii	10	(3)
Net interest income	23	(1,703)	(2,139)
Net trading income	24	217	(699)
(Gain)/Loss from sale of investment securities	25	(1,120)	(929)
Net loss from changes in the fair value of monetary gold	10	(2,226)	(1,635)
Net foreign exchange losses	22	1,817	1,108
Provisions	21	-	-
		(1,887)	(1,914)
Changes in:			
Trading assets		193	64
Monetary Gold	10	-	(5,965)
Accounts with the International Monetary Fund	11	(15,880)	2,992
Loans to and deposits with banks	12	2,908	(11,922)
Other assets		124	(485)
Currency in circulation		52,389	16,717
Due to banks		47,791	(5,706)
Deposits and borrowings from third parties		(830)	(2,432)
Due to Government and state institutions		(10,020)	(18,558)
Due to the International Monetary Fund		(817)	43
Other liabilities		(462)	1,188
Reserve		(47)	(34)
Other		(51)	(33)
		73,411	(26,045)
Interest received		2,864	3,020
Interest paid		(966)	(1,063)
Net cash (used in)/generated from operating activities		75,310	(24,088)
Cash flows from investing activities			
Acquisition of investment securities		(221,874)	(213,654)
Proceeds from sold and matured investment securities		195,220	193,057
Acquisition of property, equipment and intangible assets		(463)	(483)
Net cash generated from investing activities		27,117	(21,080)
Cash flows from financing activities			
Distributions to Government	20	(1,398)	(576)
Net cash used in financing activities		(1,398)	(576)
Increase in cash and cash equivalents		46,794	(45,745)
Cash and cash equivalents at the beginning of the year		138,706	185,648
Effect of movements in exchange rates on cash held		2,101	(1,197)
Cash and cash equivalents at the end of the year	9	187,602	138,706

The notes on pages 124 to 186 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

(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.

Impact of Covid Pandemic

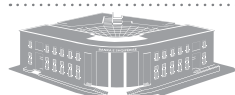
During the year 2020 the whole world and Albania have been faced with the health crisis caused by Covid-19, which has obliged governments to undertake extreme measures and disrupt a range of activities in the public life. In this framework, the main public institutions in Albania have undertaken continuous coordinated measures, to highly coordinate the joint efforts against this extreme situation and the damages it is causing in our everyday life.

In response to this situation, the Bank of Albania undertook immediate measures to support the Albanian economy which is hit by the coronavirus pandemic. The undertaken measures aim at mitigating the negative impacts on the welfare of enterprises and households, as well as establishing the premises for a very rapid recovery of economy in the following period.

Following such measures, the Albanian banking system's soundness remain valid and in more concrete terms:

- Albania enjoys a good economic and financial soundness;
- The parameter of the economy and banking sector functioning are sound;
- Liquidity and capital reserves of the Albanian banking sector are high.

Refer to note 11, 12, 13, 14 and 17.



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'), as issued by the International Accounting Standards Board (IASB).

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

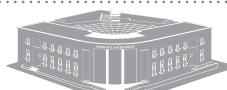
5. USE OF ESTIMATES AND JUDGMENTS

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 2020 and 2019 :
- 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 2020 and 2019:
- 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.
- 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*

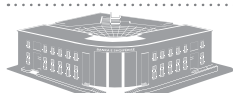
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is included in the following notes:

- Applicable to 2020 and 2019:
- 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.
- 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.

Comparative

Certain reclassification is made in order to obtain better presentation and disclosure in the financial statements as at December 31, 2020 and as at December 31, 2019. More specifically:

- "Net gain on sale of FVOCI debt investment securities" are presented separately in the statement of profit or loss and other comprehensive income instead of within Other Income as presented as at 31 December 2019;



- "Net foreign exchange losses from trading assets and liabilities" are presented within "Net foreign exchange losses" in the statement of profit or loss and other comprehensive income instead of within Net Trading Income as presented as at 31 December 2019.

6. CHANGES IN ACCOUNTING POLICIES

The following standards were issued and effective for the annual period starting from 1 January 2020, but do not have an impact on the Bank's financial statements. The Bank has consistently applied the accounting policies as set out in Note 7 to all periods presented in these financial statements.

Other standards and amendments

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments). The Amendments clarify the definition of material and how it should be applied. 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'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The Interpretation did not have an impact on the financial statements of the Bank.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments to IFRS 9, IAS 39 and IFRS 7, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. These amendments had no impact on the financial statements of the Bank.

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.

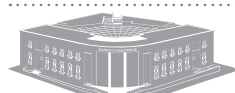
(ii) Classification

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:

Business model assessment

- 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.

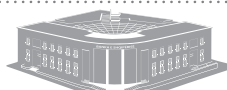
The business model of financial assets held to collect contractual cash flows and for sale includes: securities and investment. Assets in this group are measured, as follows:

- securities: at fair value in other comprehensive income.

All other financial assets are classified as measured at FVTPL.

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.

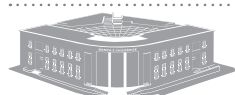
Financial liabilities

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.

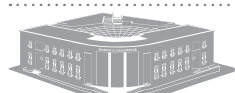
Income and expenses are presented on a net basis only when permitted under the IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

(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.

(vi) *Fair value measurement*

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*

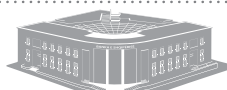
The Bank recognizes loss allowances for expected credit losses “ECL” for financial assets that are debt instruments and are not measured at FVTPL.

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).

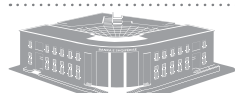
Credit impaired financial assets

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.

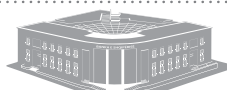
Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts 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:

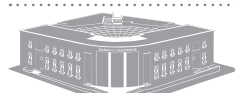
- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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

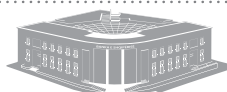
The costs of printing banknotes and minting coins, which have not yet been put into circulation, are initially recognized as assets at acquisition cost and subsequently amortized on a straight-line basis over 5 years and 10 years, respectively.

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 and licenses.

Intangible assets acquired by the Bank are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on intangible assets 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 intangible asset, from the date that it is available for use. Work in progress is not amortized.

The estimated useful lives are as follows:

–	Software and licenses	4 years
–	Other intangible asset	6.6 years

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*

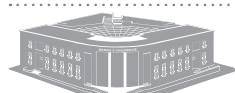
The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the 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 25 - 70 years
- Installations 4 – 20 years
- Vehicles 5 - 10 years
- Furniture and equipment 4 - 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

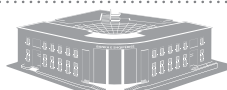
The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that 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 2020 and 31 December 2019 there are no credit-impaired financial assets.

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

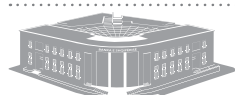
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.

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's 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

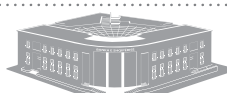
Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions. The exchange rates of the major foreign currencies as of 31 December 2020 and 31 December 2019 are disclosed in Note 8.F(ii).

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

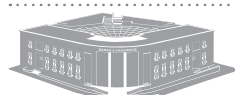
(i) Defined contribution plans

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

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.

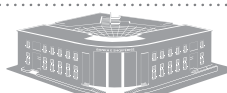
Lease liabilities

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.

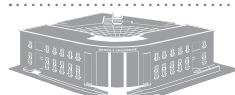
Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if a change has occurred in the estimates used to determine the recoverable amount. An impairment loss is reversed only 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 2021 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

- **IFRS 17 Insurance contracts**, effective on or after 1 January 2023 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.
- **Amendments to IFRS 3:** IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020. The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted.
- **Interest Rate Benchmark Reform – Phase 2** – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
- **Amendment in IFRS 10** Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- **IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-current (Amendments)

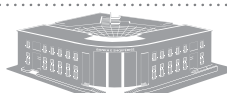
8. FINANCIAL INSTRUMENTS: CLASSIFICATION, RISK MANAGEMENT AND FAIR VALUES

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.

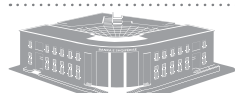
31 December 2020	FVTPL	FVOCI – debt instruments	Amortised cost	Total carrying amount
ASSETS				
Cash and balances with banks	-	-	200,578	200,578
Trading assets	14,213	-	-	14,213
Accounts with the International Monetary Fund	-	-	44,720	44,720
Loans to banks	-	-	32,671	32,671
Investment securities FVOCI	-	295,201	-	295,201
Other assets	-	-	2,039	2,039
Total financial assets	14,213	295,201	280,008	589,422
LIABILITIES				
Currency in circulation	-	-	355,238	355,238
Due to banks	-	-	178,815	178,815
Deposits and borrowings from third parties	-	-	2,485	2,485
Due to Government and state institutions	-	-	34,431	34,431
Due to the International Monetary Fund	-	-	23,219	23,219
Other liabilities	-	-	864	864
Total financial liabilities	-	-	595,052	595,052

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 at 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

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.

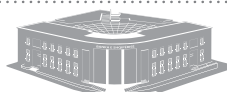
The remaining foreign reserves are held in Special Drawing Rights ("SDR") and in monetary gold. Monetary gold is managed in accordance with the regulation 'On the policy and the management of gold', approved by the Supervisory Council.

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.

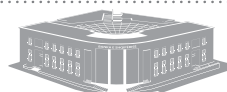
The net reserve is composed of:

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 2020	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	182,190	5,413	12,975	-	-	-	-	200,578
Trading assets	743	348	387	961	11,592	-	-	14,031
Account with the IMF	24,473	-	-	-	-	-	20,248	44,720
Loans to banks	22,610	10,061	-	-	-	-	-	32,671
Investment securities	2,539	17,999	23,675	22,992	198,105	29,891	-	295,201
Other assets (note 16)	2	-	-	1	3	2,033	-	2,039
	232,557	33,820	37,037	23,953	209,700	31,924	20,248	589,240
Derivative assets								
Exchange rate future contracts	-	133	48	2	-	-	-	183
Total financial assets	232,557	33,954	37,085	23,955	209,700	31,924	20,248	589,422
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	355,238	355,238
Due to banks	178,815	-	-	-	-	-	-	178,815
Deposits and borrowings from third parties	2,485	-	-	-	-	-	-	2,485
Due to Government and state institutions	32,445	-	1,486	-	-	-	500	34,431
Due to the IMF	16,473	-	-	-	-	-	6,746	23,219
Other liabilities	829	-	-	35	-	-	-	864
Total financial liabilities	231,047	-	1,486	35	-	-	362,484	595,052
Asset-liability maturity mismatch as at 31 December 2020	1,510	33,954	35,598	23,955	209,700	31,924	(342,236)	(5,630)



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)



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

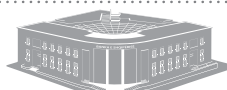
Custody risk is the risk of a loss of assets placed in custody in the case of insolvency, negligence, fraud, mismanagement or inadequate portfolio maintenance practices by the custodian. The Bank minimizes this risk by selecting for securities' custody services reputable international financial institutions 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 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Assets		
Cash and balances with banks (excluding cash on hand -Note 9)	200,549	153,282
Accounts with the IMF (Note 11)	44,720	30,552
Loans to banks (Note 12)	32,671	33,956
Trading assets (Note 13)	14,213	14,624
Investment securities (Note 14)	295,201	269,065
Other financial assets (loans to employees) (Note 16)	2,039	2,136
Total	589,393	503,615

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



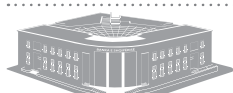
the credit rating of the eligible issuers is based on the analysis and the rating determined by the principal rating agencies, including Standard & Poor's, Moody's and Fitch, as well as in the reviewing processes, on a daily basis, of the performance of several market indicators of the quality of the credit rating of the issuer. In accordance with the limits imposed by the Supervisory Council, the Investment Committee and then the Director of the Monetary Operations Department are 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- (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 A-.

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 though 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.

Due to the prompt fiscal and monetary intervention from major governments and central banks, the economies of most advanced countries are showing signs of recovery from the recession as a result of Covid-19 pandemic during 2020. The results of loose monetary policies from central banks have been lower yields and credit spreads, especially in the investment grade government, agencies, and supranational issuers, suggesting that the markets consider the interventions important for growth and financial stability. The rollout of the vaccines in the month of December 2020 and beginning of 2021 have increased optimism in the markets regarding the recovery.



By end of 2020 the overall effect of the pandemic on Bank of Albania's well diversified and high quality portfolio has been neutral in terms of potential losses from credit risk. Risk management processes and the tools and methodologies applied for this purpose, especially as related to the portfolio of forex reserves, have proved well suited to ensure compliance with the risk budget approved by the Supervisory Council of the Bank of Albania, even during events characterized by a significant degree of volatility in the financial markets, such as the outbreak of the pandemic in the period of March-April 2020.

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

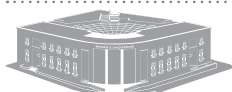
The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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.

	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and balances with banks at amortised cost					
Rated AAA	31,483	-	-	31,483	10,344
Rated AA- to AA+	140,512	-	-	140,512	112,561
Rated A- to A+	23,739	-	-	23,739	27,434
Rated BBB+ and below	662	-	-	662	12
Albanian Government B+ *	8	-	-	8	7
BIS Basel	4,158	-	-	4,158	2,932
	200,561	-	-	200,561	153,290
Loss allowance	(12)	-	-	(12)	(8)
Carrying amount	200,549	-	-	200,549	153,282
Accounts with IMF**					
Unrated	44,720	-	-	44,720	30,552
	44,720	-	-	44,720	30,552
Loss allowance	-	-	-	-	-
Carrying amount	44,720	-	-	44,720	30,552
Loans to banks at amortised cost					
Grade: Low-fair risk	-	-	-	-	-
Grade: Low risk	32,671	-	-	32,671	33,956
Grade: Average risk	-	-	-	-	-
Grade: Moderately high risk	-	-	-	-	-
Grade: High risk	-	-	-	-	-
	32,671	-	-	32,671	33,956
Loss allowance	-	-	-	-	-
Carrying amount	32,671	-	-	32,671	33,956
Debt investment securities at FVOCI					
Rated AAA	93,732	-	-	93,732	84,813
Rated AA- to AA+	89,480	-	-	89,480	86,821
Rated A- to A+	29,320	-	-	29,320	27,462
Rated BBB+ and below	8,842	-	-	8,842	7,948
Albanian Government (B+) *	67,205	-	-	67,205	55,165
BIS Basel	6,622	-	-	6,622	6,855
Carrying amount – fair value	295,201	-	-	295,201	269,065
Loss allowance	(24)	-	-	(24)	(18)
Carrying amount – fair value	295,201	-	-	295,201	269,065
Other financial assets at amortised cost					
Unrated	2,044	-	-	2,044	2,142
	2,044	-	-	2,044	2,142
Loss allowance	(6)	-	-	(6)	(6)
Carrying amount	2,039	-	-	2,039	2,136

* 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.

	2020	2019
Bonds of foreign agencies		
Rated AAA	1,925	1,790
Rated AA- to AA+	1,711	2,540
	3,636	4,330
Bonds of foreign governments and multilateral institutions		
Rated AAA	9,579	9,011
Rated AA- to AA+	816	1,272
	10,394	9,108
Total trading debt securities	14,030	14,613

(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.

		Percentage of exposure that is subject to collateral requirements		
	Shënimë	31 December 2020	31 December 2019	Principal type of collateral held
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 2020, the Bank held loans to banks of ALL 32,671 million (31 December 2019: ALL 33,956 million), for which no loss allowance is recognised because of full collateral coverage.

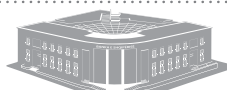
(vi) *Amounts arising from ECL*

(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

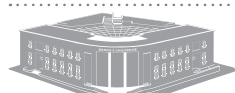
For assessing the risk of default, at initial recognition, the Bank assigns to each exposure in foreign currency the second best rating amongst Standard & Poor's, Moody's and Fitch for that particular counterparty.

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
– Data from credit rating agencies, press articles, changes in external credit ratings	– Internally collected data on banks and supervisory indicators	– Repayment history – this includes overdue status and financial situation of the borrower.
– Quoted bond prices for the counterparty, where available	– Existing and forecast changes in business, financial and economic conditions	– Existing and forecast changes in financial and economic conditions
– Actual and expected significant changes in the political, regulatory and technological environment of the counterparty or in its business activities	– 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 (base scenario) and the transition matrix of a financial crisis year (alternative recession scenario), weighted against respective probabilities of the different scenarios happening in the future.

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

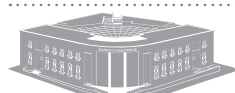
The Bank considers a financial asset to be in default when:

- 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.

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.

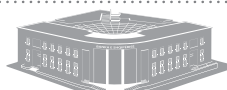
For non-sovereign issuances in foreign currency, forward-looking information is incorporated in the assessment of the probability of defaults, as the probability of the normal scenario and alternative scenario is calculated based on the probability of recession of major economies (as one of the main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



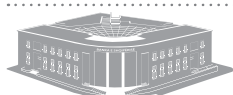
The key inputs into the measurement of ECL are the term structure of the following variables:

- 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)	200,001	2 nd Best Rating (from: S&P, Moody's and Fitch)	Moody's recovery studies
Investment securities in foreign currency	227,996	2 nd Best Rating (from: S&P, Moody's and Fitch)	Moody's recovery studies

(b) *Loss allowance*

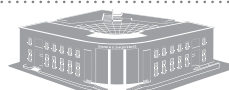
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 'Stage 1', 'Stage 2' and 'Stage 3' and credit-impaired are included in Note 7(A)(vii).

	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and balances with banks					
Balance at 1 January	8	-	-	8	14
Net remeasurement of loss allowance	4	-	-	4	(6)
Balance at end of the period	12	-	-	12	8
Other assets at amortised cost					
Balance at 1 January	6	-	-	6	6
Net remeasurement of loss allowance	-	-	-	-	-
Balance at end of the period	6	-	-	6	6
Investment debt securities at FVOCI					
Balance at the beginning of the period	18	-	-	18	16
Net remeasurement of loss allowance	6	-	-	6	2
Balance at end of the period	24	-	-	24	18
Total					
Balance at the beginning of the period	33	-	-	33	36
Net remeasurement of loss allowance	10	-	-	10	(3)
Balance at end of the period	43	-	-	43	33

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 2020 and 31 December 2019, 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

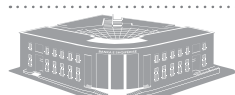
A segregation of the financial assets by geography is set out below:

31 December 2020	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (Note 9)	12,670	130,090	14,211	7,864	15,765	8	19,941	200,549
Trading assets	1,343	1,577	2,220	51	7,483	183	1,357	14,213
Accounts with the IMF	-	-	-	-	-	-	44,720	44,720
Loans to banks	-	-	-	-	-	32,671	-	32,671
Investment securities	24,248	15,534	102,821	12,829	42,776	67,205	29,787	295,201
Other assets (Note 16)	-	-	-	-	-	2,039	-	2,039
Total	38,262	147,201	119,252	20,744	66,024	102,106	95,806	589,394

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

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

31 December 2020	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Investment securities	Other assets	Total
Central Bank	171,191	7,301	44,720	-	-	-	223,212
Bank for International Settlements ("BIS Basel")	4,157	-	-	-	12,829	-	16,986
Foreign governments and multilateral institutions	-	2,235	-	-	130,734	-	132,969
Foreign agencies	-	4,081	-	-	42,814	-	46,895
Commercial Banks	25,201	414	-	32,671	41,618	-	99,905
Albanian Government	-	183	-	-	67,205	-	67,388
Other	-	-	-	-	-	2,038	2,038
Total	200,549	14,213	44,720	32,671	295,201	2,038	589,393



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

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:

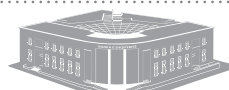
- Interest rate risk associated with fluctuations in the fair value of financial instruments due to changes in market interest rates; and
- Currency risk associated with fluctuations in the fair value of financial instruments due to changes in foreign exchange rates.

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 at least 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 Director 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").

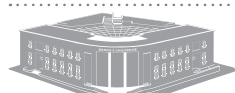
- Duration measures the sensitivity of the price of a fixed-income security against the volatility of the interest rates in the market.
- The VaR is defined as the estimated maximum loss that will arise on a portfolio over a specified period of time from its exposure to the risk factors with a specified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

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 2020 and 2019:

	31 December 2020	31 December 2019
VaR (95%) in ALL million	(1,868)	(2,178)



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.

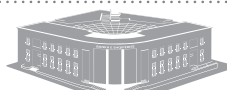
Assuming an immediate parallel increase (decrease) in interest rates by 50 basis points and 100 basis points and a correlation equal to 1 between the curves, and based on the duration of the aggregate foreign exchange reserves, the estimated loss (gain) for each scenario is as follows:

Estimated effect on Profit/(loss) ALL million	2020		2019	
	100 bp	50 bp	100 bp	50 bp
Increase	(4,591)	(2,295)	(3,705)	(1,852)
Decrease	4,591	2,295	3,705	1,852

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 2020	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Deri në 1 muaj	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and balances with banks	200,578	165,167	15,345	5,413	12,975	1,678
Trading assets	14,213	202	743	247	12,839	183
Accounts with the IMF	44,720	24,473	-	-	-	20,248
Loans to banks	32,671	-	22,610	10,061	-	-
Investment securities	295,201	2,129	2,539	17,999	272,533	-
Other assets (Note 16)	2,039	-	2	-	2,037	-
Total	589,422	191,971	41,239	33,720	300,384	22,109
Interest-bearing liabilities						
Currency in circulation	355,238	-	-	-	-	355,238
Due to banks	178,815	-	178,815	-	-	-
Deposits and borrowings from third parties	2,485	-	2,409	-	-	77
Due to Government and state institutions	34,431	500	-	-	-	33,931
Due to the IMF	23,219	6,748	-	-	-	16,472
Other liabilities	864	-	-	-	35	829
Total	595,053	7,248	181,224	-	35	406,546
Interest-bearing financial instruments gap	(5,631)	184,723	(139,985)	33,720	300,349	(384,438)



31 December 2019	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Deri në 1 muaj	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)

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 2020 is ALL 0 million (2019: ALL 11 million) (see Note 13).

The nominal value of these contracts as at 31 December 2020 is composed by the following:

- buy contracts in the amount of ALL 478 million (2019: ALL 982 million); and
- sell contracts in the amount of ALL 1,504 million (2019: ALL 2,349 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).



Forward contracts

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

The fair value of foreign exchange forward contracts at 31 December 2020 is ALL183 million (2019: nil) (see Note 13).

The following significant exchange rates have been applied.

ALL	Average		Year-end spot rate	
	2020	2019	2020	2019
United States Dollar (USD)	101.84	109.85	100.84	108.64
European Union Currency Unit (EUR)	123.89	123.01	123.70	121.77
British Pound (GBP)	139.61	140.25	137.93	143.00
Special Drawing Rights (SDR)	151.42	151.78	145.24	150.23
Japanese Yen (JPY)	1.02	1.00	0.98	1.00
Chinese Yuan (offshore) (CNH)	15.76	15.85	15.50	15.60

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR, USD, GBP or other currencies by 10% against ALL at 31 December 2020 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 2020 and 31 December 2019 is as follows:

31 December 2020	ALL	USD	EUR	GBP	SDR	Other	Total
Assets							
Cash and balances with banks	8	20,193	166,041	3,800	-	10,537	200,578
Trading assets	183	14,031	-	-	-	-	14,213
Accounts with the IMF	-	-	-	-	44,720	-	44,720
Loans to banks	32,671	-	-	-	-	-	32,671
Investment securities	67,205	58,529	150,624	6,509	-	12,334	295,201
Other assets	2,039	-	-	-	-	-	2,039
Total assets	102,106	92,752	316,665	10,309	44,720	22,870	589,422
Liabilities							
Currency in circulation	355,238	-	-	-	-	-	355,238
Due to banks	67,210	21,796	89,809	-	-	-	178,815
Deposits and borrowings from third parties	2,336	-	150	-	-	-	2,485
Due to Government and state institutions	20,838	78	9,374	-	4,140	-	34,431
Due to the IMF	-	-	-	-	23,219	-	23,219
Other liabilities	305	559	-	-	-	-	864
Total liabilities	445,927	22,433	99,333	-	27,359	-	595,052
Net statement of financial position exposure	(343,821)	70,319	217,332	10,309	17,361	22,870	(5,630)
Sensitivity analysis							
Profit/(loss) effect: Strengthening (10%)	-	7,032	21,733	1,031	1,736	2,287	
Weakening (10%)	-	(7,032)	(21,733)	(1,031)	(1,736)	(2,287)	



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)	

F. Fair value of financial instruments

i) Determination of fair values

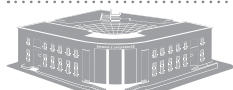
The determination of fair values of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques described in the accounting policy. For financial instruments that are traded infrequently and whose price is not transparent, the fair value is 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 judgment 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.

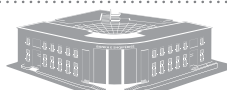
The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation.

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.

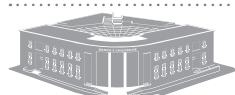
31 December 2020	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	13	14,031		-	14,031
Derivative trading assets	13			183	183
Investments in securities	14	196,761	98,440	-	295,201
Total		210,792	98,440	183	309,414

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

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. Other financial assets consist of loans granted to employees (see note 16) pursuant to Article 4 point (b) of Law No. 8269 "On the Bank of Albania" as amended.

		31 December 2020		31 December 2019	
	Note	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
Assets					
Cash and balances with banks	9	200,578	200,578	153,313	153,313
Loans to banks	12	32,671	32,671	33,956	33,956
Accounts with IMF	11	44,720	44,720	30,552	30,552
Liabilities					
Due to the IMF	11	23,219	23,219	24,037	24,037
Due to banks	18	178,815	178,815	130,764	130,764
Deposits and borrowings from third parties	19	2,485	2,485	3,279	3,279
Due to Government and state institutions	20	34,431	34,431	45,154	45,154
Other liabilities	21	864	864	1,425	1,425



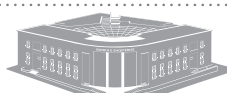
G. *Operational risk*

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.

In response to the situation created from COVID-19 pandemic, the Bank of Albania has been implementing its Business Continuity Management Policy of the Bank of Albania, which has been adopted by the Supervisory Council in 2019. In this framework, the Bank of Albania has undertaken a set of necessary measures in line with the decisions of the Government and the Ministry of Health to face the situation created from the spread of coronavirus in Albania, which aims at safeguarding the health of the employees, and at the same time, to carry out of its main functions, as the central monetary authority, in supporting the economy in Albania. Currently, the Bank of Albania is working with reduced staff within its physical premises, and complete staff from home. The Bank of Albania is implementing the protocols on the distant communication and work safely and efficiently of the employees, which support them to contribute with their expertise and professionalism in the decision taking of the Bank of Albania, notwithstanding the physical obstacles. All the core activities of the Bank of Albania has continued normally, with no disruption, by providing to it the possibility to continue to be a responsible institution, able to successfully deal with this type of situation, for the good of public health and social welfare.

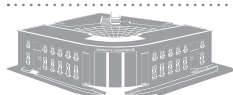
I. *Maturity structure of assets and liabilities*

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 2020	< 12 months	> 12 months	Undefined maturity	Total
ASSETS				
Cash and balances with banks	200,578	-	-	200,578
Trading assets	2,622	11,592	-	14,213
Monetary gold	-	-	16,817	16,817
Accounts with the International Monetary Fund	24,473	-	20,248	44,720
Loans to banks	32,671	-	-	32,671
Investment securities	67,205	227,996	-	295,201
Property, equipment, right-of-use and intangible assets	-	-	20,364	20,364
Other assets	193	2,299	344	2,836
TOTAL ASSETS	327,742	241,887	57,773	627,401
LIABILITIES				
Currency in circulation	-	-	355,238	355,238
Due to banks	178,815	-	-	178,815
Deposits and borrowings from third parties	2,485	-	-	2,485
Due to Government and state institutions	33,931	-	500	34,431
Due to the International Monetary Fund	16,473	-	6,746	23,219
Other liabilities	995	-	-	995
TOTAL LIABILITIES	232,699	-	362,484	595,184
Assets – Liabilities maturity mismatch	95,043	241,887	(304,711)	32,216

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



9. CASH AND BALANCES WITH BANKS

	31 December 2020	31 December 2019
Cash	29	30
Current accounts	166,827	132,484
Deposits maturing within three months	20,758	6,200
Less impairment loss allowance	(12)	(8)
Cash and cash equivalent	187,602	138,706
Deposits maturing after more than three months	12,976	14,607
Total	200,578	153,313

The interest rates for current accounts are as follows:

In %	EUR	USD	GBP	AUD	JPY	CNY	CNH
31 December 2020	(0.23)-(0.67)	0.00-0.00	0.00-0.00	0.00-0.00	(0.3)-(0.35)	0.00-2.00	0.00-1.9
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

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

In %	EUR	USD	CNH
31 December 2020	(0.52)-(0.50)	0	1.68-2.58
31 December 2019	(0.50)-(0.495)	1.45	2.64

10. MONETARY GOLD

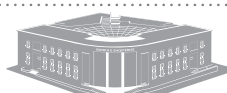
	31 December 2020	31 December 2019
Monetary gold	16,817	14,591
Total	16,817	14,591

The monetary gold is placed in current account (2019: current account) with foreign banks.

The increase of ALL 2,226 million compared to the previous year is a result of valuing the monetary gold at the market price at the reporting date, and is recognized in profit or loss, and accumulated to the revaluation reserve (refer to Note 22).

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

Accounts with the IMF	31 December 2020	31 December 2019
Quotas with IMF	20,248	20,955
Special Drawing Rights ("SDR") held	24,473	9,597
Total assets	44,720	30,552



Due to the IMF	31 December 2020	31 December 2019
SDR allocations	6,746	6,978
IMF securities account	14,341	14,844
IMF account No. 1	2,130	2,205
IMF account No. 2	1	1
Poverty Reduction and Growth Facility ('PRGF')	-	-
Accrued interest	1	9
Total liabilities	23,220	24,037

Quotas with the IMF of ALL 20,248 million or SDR 139 million (2019: ALL 20,955 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 ALL 24,473 million or SDR 168 million (2019: ALL 9,597 million or SDR 64 million) represent deposits with the IMF. During 2020, in response to the two events, the earthquake that hit the country and the Covid – 19 pandemic situation, the government of Albania requested and obtained an emergency financing from IMF in the amount of 139 million SDR, corresponding to the purchase of 100% of Albania's quota under the Rapid Financing Instrument (RFI).

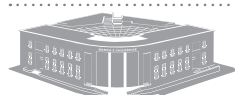
The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at 31 December 2020 is 0.072% p.a. (2019: 0.740% p.a.).

SDR Allocations of ALL 6,746 million or SDR 46 million (2019: ALL 6,978 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 2020 is 0.072% p.a. (2019: 0.740% p.a.).

The IMF pays remuneration to members with remunerated reserve tranche positions, at 0.738% p.a. (2019: 0.738% p.a.). The reserve tranche position is calculated as the difference between Quotas in the IMF and the currency holdings in the IMF accounts, excluding holdings acquired as a result of the use of the Fund credit and holdings in the IMF account No.2.

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 and in the year 2020 in one payment, as part of RFI facility due



to Covid pandemic situation. 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 2020, the facility amounted to ALL 56,538 million (2019: ALL 41,730 million).

12. LOANS TO BANKS

The measures taken by the Bank in response to the health crisis caused by Covid-19 in the field of monetary policy aims at reducing the borrowing cost and the continuous lending to economy. In strengthening the accommodative monetary policy stance, so far implemented by the Bank, starting from middle of March 2020, the auction for the weekly injection of liquidity has changed from limited amount to fixed price auction. This change provides room to commercial banks to take from the Bank of Albania liquidity with no limit, at the cost of the policy rate set out by the Bank.

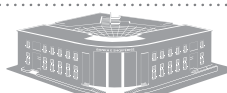
	31 December 2020	31 December 2019
Reverse repurchase agreements	32,671	32,706
Overnight loans to banks	-	1,250
Total	32,671	33,956

At 31 December 2020, reverse repurchase agreements between the Bank and commercial banks have original maturities from one week to three months (2019: from one week to three months).

13. TRADING ASSETS

Trading assets	31 December 2020	31 December 2019
Non-derivatives:		
Bonds of foreign agencies	3,636	4,330
Bonds of foreign governments and multilateral institutions	10,395	10,283
Derivatives:		
Interest rate future contracts	-	11
Foreign exchange forwards	183	-
Total	14,213	14,624

Trading assets are administered by the International Bank for Reconstruction and Development ('IBRD') as stated in the agreement 'On the administration and technical assistance on investing the foreign reserve of Bank of Albania (Reserves and Advisory Management Program) signed between the 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 2020 and 2019 are as follows:

In %	31 December 2020	31 December 2019
USD	0.125- 3.125	1.250 - 3.500

14. INVESTMENT SECURITIES

	31 December 2020	31 December 2019
Investment securities measured at FVOCI	295,201	269,065
Total	295,201	269,065
Expected Credit Losses (ECL)	(24)	(18)

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

	31 December 2020	31 December 2019
Treasury Bills of foreign governments and multi-lateral institutions	8,064	7,074
Certificate of Deposit	6,206	-
Bonds of banks and other institutions	41,619	42,786
Bonds of foreign agencies	42,814	31,024
Bonds of foreign governments and multilateral institutions	129,293	133,016
Treasury Bills of the Albanian Government	67,205	55,165
Total	295,201	269,065

In accordance with the decisions of the Supervisory Council on the eligible instruments, during 2020, the Bank invested in a new type of investment securities (Certificate of Deposit) for the amount of 50 million EUR (2019: nil) (see Note 8(B)).

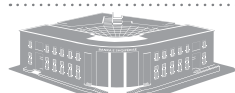
Expected Credit Losses (EC) by type of issuer and security are presented below:

	31 December 2020	31 December 2019
Treasury Bills of foreign governments and multi-lateral institutions	-	-
Certificate of Deposit	(1)	-
Bonds of banks and other institutions	(10)	(6)
Bonds of foreign agencies	(6)	(4)
Bonds of foreign governments and multilateral institutions	(7)	(8)
Treasury Bills of the Albanian Government	-	-
Total	(24)	(18)

The annual yields for each currency at 31 December 2020 and 2019 are as follows:

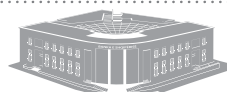
In %	ALL	USD	GBP	AUD	CNH	EUR
31 December 2020	0.51-1.77	0.03-1.31	(0.11) – 0.68	0.95 - 0.98	2.17 – 2.51	(0.76)-0.64
31 December 2019	1.00-1.72	1.35-2.57	0.52 – 1.14	0.91 - 1.32	2.42 – 2.54	(1.00)-0.25

Investment securities in ALL at 31 December 2020, represent Albanian Government treasury bills with a maturity period up to 12 months (2019: 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, buildings and installations	Furniture and equipment	Vehicles	Work in progress	Numismatic coins and objects	Total property and equipment	Right of Use			Computer software	Work in progress	Total intangible assets	Total
							Buildings	Repeater	Total Right-of-use				
Cost or deemed cost													
At 1 January 2019	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
Additions	3	122	9	226	-	360	-	-	-	43	73	116	476
Transfers	6	12	-	(6)	-	12	-	-	-	64	(76)	(12)	-
Disposal	-	(25)	-	-	-	(25)	-	-	-	-	-	-	(25)
At 31 December 2020	9,415	2,672	291	674	10,532	23,584	93	7	100	818	-	818	24,502
Accumulated depreciation/amortization													
At 1 January 2019	580	2,094	216	-	-	2,890	-	-	-	593	-	593	3,483
Depreciation/amortization	145	173	18	-	-	336	31	2	33	36	-	36	405
Disposal	-	(207)	-	-	-	(107)	-	-	-	(11)	-	(11)	(108)
At 31 December 2019	725	2,160	234	-	-	3,119	31	2	33	628	-	628	3,780
Depreciation/amortization	145	144	18	-	-	307	31	2	33	42	-	42	382
Disposal	-	(24)	-	-	-	(24)	-	-	-	-	-	-	(24)
At 31 December 2020	870	2,280	252	-	-	3,402	62	4	66	670	-	670	4,138
Carrying amounts													
At 31 December 2019	8,681	403	48	454	10,532	20,118	62	5	67	83	3	86	20,271
At 31 December 2020	8,545	392	39	674	10,532	20,182	31	3	34	148	-	148	20,364



16. OTHER ASSETS

	31 December 2020	31 December 2019
Financial assets		
Loans to employees, net	2,039	2,136
	2,039	2,136
Non-financial –assets		
Numismatics (banknotes and coins)	348	299
Printing and minting costs	390	472
Inventory	22	21
Other	38	32
	797	824
Total	2,836	2,960

Loans to employees at 31 December 2020 are net of allowance for impairment of ALL 6 million (2019: ALL 6 million) (see Note 8(E)(vi)(b)).

17. CURRENCY IN CIRCULATION

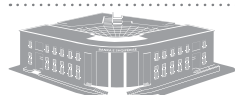
The Bank is vested with the exclusive right of issuing Albanian currency. Currency in circulation comprises domestic banknotes and coins in circulation issued by the Bank.

The Bank has increased the operating capacities to guarantee the uninterrupted supply with coins and banknotes to economy. It has taken all the necessary decisions and has engaged all its structures to meet the market requests for cash, by simultaneously providing a sufficient stock with the purpose to counter the increasing needs of the economy. The following banknotes and coins were in circulation as at 31 December 2020 and 2019:

	31 December 2020		31 December 2019	
Nominal value ALL	Number in thousand	Total ALL (million)	Number in thousand	Total ALL (million)
Notes:				
100	3,400	340	3,400	340
200	15,656	3,131	11,759	2,352
500	21,924	10,962	19,996	9,998
1,000	33,009	33,009	33,448	33,448
2,000	35,838	71,677	35,086	70,172
5,000	46,107	230,535	36,229	181,146
Coins (1-100)		5,585		5,393
		355,238		302,849

18. DUE TO BANKS

	31 December 2020	31 December 2019
Reserve requirement and current accounts	172,635	124,679
Deposits	6,180	6,085
Total	178,815	130,764



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.

In response to the health crisis caused by Covid-19 fulfilling her mission the Bank has reduced the rate of repurchase and reverse repurchase agreements.

The lowering of policy rate is a necessary measure to: reduce the costs of new borrowing; decrease the servicing cost of the existing debt; and ease the liquidity circulation to Albanian enterprises and households. It helps the smooth functioning of the monetary policy transmission mechanism and eases the pressure on the financial balance sheets of the economic operators, providing them with more time, space and breath to tackle the shock. As at 31 December 2020, the interest rate is 0.5% (2019: 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 2020, the remuneration rate is negative at 0.4% (2019: negative at 0.4%). The reserve requirement in EUR held in ALL is not remunerated.

As at 31 December 2020 the reserve requirement in USD held in USD and in ALL are not remunerated (2019: 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 2020	31 December 2019
Deposits from the Deposit Insurance Agency	2,411	3,030
Deposits from the pension fund	57	229
Deposits from individuals for participation in Treasury Bills auctions	18	20
Total	2,485	3,279

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 PUBLIC INSTITUTIONS

	31 December 2020	31 December 2019
Profit to be distributed to the Government	1,486	1,398
Accounts and deposits with the Government	28,514	42,608
Due to state institutions	4,431	1,148
Total	34,431	45,154

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 (2019: 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 2020 is 1% (2019: 1%). On June 9, 2020 the Republic of Albania successfully priced a new 7-year 650 million EUR international bond.

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

	Note	31 December 2020	31 December 2019
Net result for the period		749	1,977
Transfer to reserves	22	686	(631)
Distribution from profit of the period		1,433	1,346
Distribution from other reserves	22	52	52
Total to be distributed to the Government		1,486	1,398

The profit to be distributed at 31 December 2020 will be distributed to the Government next year, whereas the profit to be distributed at 31 December 2019 was distributed to the Government in 2020.

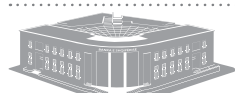
21. OTHER LIABILITIES

	31 December 2020	31 December 2019
Financial liabilities		
Due to international financial institutions	579	932
Due to third parties	278	493
Accrued expenses	7	
	864	1,425
Non-financial liabilities		
Provisions for claims and litigations	129	111
Grants	2	2
	131	113
Total	995	1,538

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 35 million as at 31 December 2020 (2019: ALL 69 million).

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



	31 December 2020	31 December 2019
Balance at 1 January	111	152
Provisions made during the year	23	-
Provisions used during the year	-	(37)
Provisions reversed during the year	(4)	(4)
Balance at 31 December	129	111

22. RESERVES

	31 December 2020	31 December 2019
Legal reserve	12,500	12,500
Revaluation reserve	(6,904)	(6,218)
Fair value reserve (investment securities)	2,126	865
Other reserves	21,995	22,065
Total	29,716	29,212

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:

	2020	2019
Net foreign exchange losses, other than from trading assets and liabilities	(1,817)	(1,108)
Net foreign exchange losses from trading assets and liabilities	(1,094)	104
Net loss from changes in the fair value of monetary gold (Note 10)	2,226	1,635
Total	(686)	631

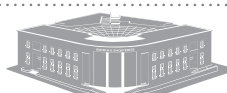
The decrease of ALL 686 million (2019: increase ALL 631 million) in revaluation reserve is a result of the valuation of the monetary gold and EUR currency meanwhile the rest of the main foreign currencies have been depreciated in particular USD versus ALL (see Note 8(F)(ii)).

Movements in Fair value reserve are reflected as below:

	31 December 2020	31 December 2019
Balance at 1 January	865	241
Change in Fair Value of Securities	1,243	639
Additions due to impairment for securities(ECL)	-	-
Transfers to impairment of Securities (ECL) from Other Reserves	18	(15)
Balance at 31 December	2,126	865

Negative revaluation reserve

Given the negative balance of the revaluation reserve at 31 December 2020 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 2021 and upon issuance of the external auditors' report on these financial statements.

The increase of ALL 604 million in Fair Value of securities is a result of lower interest rates during 2020, therefore the difference between acquisition yield and current market yields creates the increase in Fair Value reserve.

Other reserves include the following:

	31 December 2020	31 December 2019
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	7,744	7,796
Reserve for impairment of Securities (ECL)	-	18
Total	21,995	22,066

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.

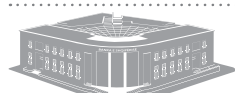
The reserve of gold and precious metals represents the reserve created based on the Law No. 9862, dated 24 January 2008 'On the transfer of ownership of gold and other precious metals from the Albanian Council of Ministers to the Bank of Albania'.

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

	31 December 2020	31 December 2019
Balance at 1 January	18	-
Additions due to impairment for securities(ECL)	6	3
Transfers of impairment of Securities (ECL) to Other Reserves	-	15
Total	24	18

The reserve for property and equipment of ALL 7,743 million (2019: ALL 7,796 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 2020, the amount distributed to the Government of Albania is ALL 52 million (2019: ALL 52 million). From the total reserve for property and equipment, an amount of ALL 2,294 million (2019: ALL 2,347 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

	2020	2019
Interest income calculated using the effective interest method		
Investment securities	1,999	2,400
Loans to banks	225	307
Deposits and current accounts with banks	24	77
Accounts with IMF	37	152
Negative remuneration for reserve requirement	14	21
Other	364	254
Total interest income	2,663	3,211
Interest expense		
Reserve requirements	225	329
Due to the International Monetary Fund	15	70
Due to the Albanian Government	6	34
Deposits from third parties	14	22
Negative interest from deposits and current accounts with Banks	696	613
Other	2	4
Total interest expense	960	1,072
Net interest income	1,703	2,139

Interest income from investment securities includes ALL 1,122 million (2019: ALL 874 million) of income from treasury bills issued by the Albanian Government and ALL 877 million (2019: ALL 1,525 million) of income from security lending and foreign reserve investment securities after accounting for the amortization of premium/discount.

Negative interest from deposits and current accounts with banks of ALL 696 million (2019: ALL 613 million) represents charges arising from negative yielding deposits and accounts placed with foreign banks.

24. NET TRADING INCOME

	2020	2019
Interest income from trading assets FVTPL	287	325
Net gain/(loss) from the trading assets	151	71
Unrealized fair value changes	4	99
Net profit from forward and future contracts	435	100
Total	877	595

25. NET INCOME FROM SALES OF FINANCIAL ASSETS AT FVOCI

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

	2020	2019
Gain on sale of FVOCI debt investment securities	1,288	1,149
(Loss) on sale of FVOCI debt investment securities	(168)	(220)
Net other income	1,120	929



26. EMPLOYEE BENEFIT EXPENSES

	2020	2019
Employee salaries and compensations	1,191	1,180
Contributions for health and social security	109	108
Contribution for pension fund (see Note 19)	120	123
Total	1,420	1,411

As at 31 December 2020, the Bank had 593 employees (2019: 574 employees).

27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Repair and maintenance expenses	161	145
Amortization of currency printing and minting costs	104	62
Information expenses	100	110
Fees for third-party services	91	93
Other staff expenses	31	64
Transportation fees	14	38
Publication and membership expenses	12	15
Operating lease expenses for office premises	-	1
Other expenses	40	43
Total	553	571

28. CONTINGENCIES AND COMMITMENTS**(i) Reverse repurchase agreements**

Reverse repurchase agreements, as at 31 December 2020, represented collateralized loans (see Note 12). The nominal value of the securities used as collateral as at 31 December 2020, was ALL 35,260 million (2019 ALL 34,390 million).

(ii) Operating leases

The Bank has entered into operating lease agreements for its office premises for a three year period. At 31 December 2020, operating lease commitments payable within one year are ALL 36 million (2019: ALL 67 million)

(iii) Capital commitments

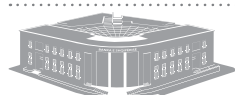
As at 31 December 2020, the Bank has entered into capital commitments of ALL 1,504 million (2019: ALL 1,699 million) for the reconstruction of one of its buildings.

(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 2020 is ALL 2,802 million (2019: ALL 2,860 million). At 31 December 2020, unused credit commitments for employees amount to ALL 86 million (2019: ALL 87 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 2020, the Bank acts as custodian for short-term treasury bills with maturities from 3 to 12 months, with total nominal value of ALL 204 billion (2019: ALL 197 billion) and for long-term securities with maturities varying between 2 and 10 years, with nominal value of ALL 434 billion (2019: ALL 390 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 2020 and 2019, balances with related parties comprised:

	2020	2019
Loans to directors		
Directors	136	142
Total	136	142

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.

	2020	2019
Administrative expenses		
Directors and Supervisory Council members:		
Telephone expenses	4	4
Salaries and bonuses	152	139
Per diems	-	6
Directors:		
Fuel compensation	2	3
Contribution to pension plan scheme	14	14
Total of administrative expenses for related parties	172	166



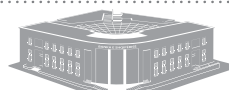
Balances with/(due to) the Albanian Government and public institutions are disclosed in Notes 14 and 20, and related interest income from securities and interest expenses are included in Note 23. Promissory notes issued by the Albanian Government in favour of the IMF are detailed in Note 11, whilst securities issued by the Albanian Government and managed by the Bank are detailed in Note 28.

31. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.



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TREGUES TË PËRGJITHSHËM MAKROEKONOMIKË
1. ZHVILLIMET MONETARE DHE NORMAT E INTERESIT
Në miliardë lekë, përveç rasteve kur shënohet ndryshe, fund periudhe

MAIN MACROECONOMIC INDICATORS
MONETARY DEVELOPMENTS AND INTEREST RATES 1.
In billions ALL, unless otherwise indicated, end of period

	Agregatët monetarë / Monetary aggregates			Depozitat ¹ / Deposits ¹	Kreda ² / Credit ²	Normat e interesit 12m / 12m interest rates (%)			Norma e marrëveshjes së riblejtes njëjavore ⁴ / Weekly repurchase agreement rate ⁴
	M1		M3			Depozita ³ / Deposits ³	Huaz ³ / Loans ³	Bona Theori ⁴ / T. Bills ⁴	
	1	2							
2018	478.7	731.5	1,264.1	988.8	532.8	0.73	5.66	1.43	1.00
2019	524.0	758.0	1,318.7	1,027.3	570.8	0.49	6.25	1.69	1.00
2020	637.3	862.2	1,456.9	1,112.3	608.6	0.41	6.05	1.77	0.50

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

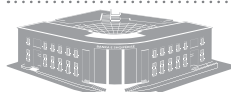
2. PRODHIMI I BRENDSHËM BRUTO, INDEKSET E ÇMIMEVE DHE TREGU I PUNËS

GROSS DOMESTIC PRODUCT, PRICE INDEXES AND LABOR MARKET 2.

	Rritja reale vjetore e PBB me çmime konstante (%) ⁵ / Annual real growth of GDP at constant prices (%) ⁵	Me çmime korrente, në milionë lekë ⁵ / At current prices, in million ALL ⁵				Ndryshimet vjetore të Indeksit të Çmimeve të konsumit (%) / Yearly changes in CPI (%)	Tregu i punës (grup mosha 15-64) / Labor market (age group 15-64)	
		Produkti Brendshëm Bruto (PBB) / Gross domestic product (GDP)	Pagat e të punësuarve, neto / Compensation of employees, net	Të Ardhura nga prona, neto / Property income, net	Të Ardhura Kombëtare Bruto / Gross National Income		Shkalla e punësimit / Employment rate (%)	Shkalla e papunësisë / Unemployment rate (%)
	1	2	3	4	5=2+3+4	6	7	8
2018	4.1	1,635,714.6	36,198.1	-38,189.6	1,633,723.1	1.80	59.5	12.8
2019						1.15	61.2	12.0
2020						1.05		

Burimi: INSTAT.

Source: INSTAT.



3. BILANCI I PAGESAVE³, REZERVA DHE KURSI I KËMBIMIT

Në milionë euro, përveç rasteve kur shënohet ndryshe

BALANCE OF PAYMENTS³, RESERVES AND EXCHANGE RATE 3.

In millions EUR, unless otherwise indicated

	Bilanci i llogaritës korrente / Current account	Nga të cilat: Bilanci tregtar / Of which: Trade balance (34)	Nga të cilat: Remitancat / Of which: Remittances		Investimet direkte neto / Direct investments, net	Rezervat valutare (stok) / Reserves (stock)	Rezervat në muajt importe / Reserves in months of import	Kursi i këmbimit / Exchange rate	
			Eksporiti / Export	Importi / Import				ALL / EUR	ALL / USD
	1	2	3	4	5	7	8	9	10
2018	-866.4	-2,871.1	986.1	3,857.2	669.6	3,399.0	7.0	127.6	108.0
2019	-1,088.7	-3,143.8	906.5	4,050.3	701.9	3,359.6	6.5	123.0	109.9
2020						3,942.4		123.8	108.7

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

4. BILANCI FISKAL, STOKU I BORXHIT TË BRENDSHËM DHE BORXHI I JASHTËM

Në miliardë lekë

FISCAL BALANCE, DOMESTIC DEBT STOCK AND EXTERNAL DEBT 4.

In billions ALL

	Të Ardhura / Revenue	Nga të cilat: Të ardhura tatimore / Of which: Tax revenue	Shpenzime / Expenditure	Shpenzime kapitale / Capital expenditure	Deficiti / Deficit	Financim i brendshëm / Domestic financing		Financim i huaj / Foreign financing	Stoku i borxhit të brendshëm / Domestic debt stock	Stoku i borxhit të jashtëm / External debt stock
						6	7			
	1	2	3	4	5	6	7	8	9	10
2018	449.9	419.3	476.1	78.4	-26.2	-6.9	33.1	580.3	526.3	514.8
2019	460.3	426.3	491.9	75.0	-31.5	40.9	-9.4	597.3	514.8	
2020	425.9	398.7	536.5	85.3	-110.6	49.4	61.1			

Burimi: Ministria e Financave dhe Ekonomisë.

Source: Ministry of Finance and Economy.

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parashës së gjërë.

1) Deposits included in broad money.

2) Përfshihen kreditë për ekonominë.

2) Credit to economy.

3) Norma mesatare e pondeur vjetore e depozitave dhe huave të reja 12 mujore në lekë për sistemin bankar.

3) The annual weighted average rate of the 12 months new deposits and loans in ALL for the banking system.

4) Të dhënat i referohen normës në fund të periudhës.

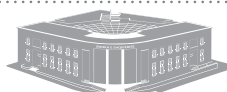
4) End of period data.

5) 2018 Gjysëmfinale.

5) 2018 Semifinal data.

6) Janë rishikuar të dhënat për vitin 2019.

6) Data are revised for the year 2019.



FINANCIAL SECTOR 1
SECTORAL BALANCE SHEET OF BANK OF ALBANIA 1-1
In millions ALL, end of period

1 SEKTORI FINANCIAR
1-1 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË
Në milionë lekë, fund periudhe

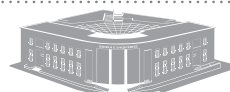
	Totali i mjetëve (2+3+4+5+8+12+14)	Ari monetar dhe mbajtjet e SDR/ Monetary gold and SDR holdings	Akta në valutë / Foreign currency	Depozita/ Deposits	Letrat me vlerë të ndryshme nga ak- sionet / Securities other than shares (6+7)	Jorezidentët / Nonresidents	Qeveria Qën- dore / Central Government	Huatë / Loans (9+10+11)	Qeveria Qën- dore / Central Government	Korporata të tjera depozituese / Other depository corporations	Sektorë të tjerë rezidentë / Other resident sectors	Derivatet financiare / Financial derivatives	Llogaritë të pranueshme / Receivable accounts	Mjetë jofinanciare / Nonfinancial assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2019 / 12	539,621.7	24,187.9	98.3	152,387.6	283,678.9	228,514.0	55,164.9	36,097.8	-	33,956.4	2,141.4	13.8	22,325.3	20,832.0
2020 / 12	627,704.6	41,289.9	33.7	200,001.8	309,231.7	242,026.4	67,205.4	34,715.4	-	32,670.9	2,044.5	11.8	21,443.3	20,977.0
2020 / 07	656,624.4	46,584.3	32.6	189,545.6	333,940.5	270,003.0	63,937.4	43,463.8	-	41,374.8	2,089.0	14.7	22,129.8	20,913.1
2020 / 08	650,222.8	44,496.6	31.5	186,059.2	335,402.4	271,129.4	64,273.0	41,175.1	-	39,094.2	2,080.9	13.6	22,094.8	20,949.7
2020 / 09	658,173.6	44,316.1	32.0	199,170.6	328,741.3	264,861.6	63,879.7	42,665.6	-	40,593.4	2,072.2	14.0	22,315.8	20,918.3
2020 / 10	657,923.1	44,113.8	308.3	202,937.0	325,500.0	260,757.5	64,742.5	42,010.7	-	39,945.8	2,065.0	13.6	22,111.1	20,928.6
2020 / 11	628,792.8	41,455.6	32.3	174,803.2	324,594.0	257,985.1	66,608.9	44,806.7	-	42,753.1	2,053.6	13.6	22,175.0	20,912.4
2020 / 12	627,704.6	41,289.9	33.7	200,001.8	309,231.7	242,026.4	67,205.4	34,715.4	-	32,670.9	2,044.5	11.8	21,443.3	20,977.0

	Detyrimet totale / Total liabilities (2+3+4+5+8+14+15+16)	Paraqitja në qarkullim / Currency in circulation	Depozita të përfshira në paranë e gjerë / Deposits included in broad money	Depozita të përfshira në paranë e gjerë from broad money (5+6+7+8+9)	Jorezidentët / Nonresi- dents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other deposito- ry corporations	Korporata të tjera jofinanc- iare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resi- dent sectors	Huatë / Loans (11+12+13)	Jorezidentët / Nonresi- dents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other deposito- ry corporations	Llogaritë të pagueshme / Other accounts payable	Alokimi i SDR / SDR allocation	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
2019/12	539,621.7	303,092.6	102.2	194,622.8	17,108.5	46,685.3	130,756.4	52.5	20.1	-	-	-	-	1,690.8	6,987.3	33,126.1
2020/12	627,704.6	355,481.6	57.4	230,751.7	16,521.4	35,343.8	178,807.5	61.2	17.8	-	-	-	-	943.4	6,747.6	33,723.0
2020/07	656,624.4	335,836.4	54.3	274,847.1	17,631.7	110,977.6	146,158.3	59.8	19.8	-	-	-	-	550.4	6,902.3	38,433.8
2020/08	650,222.8	341,480.8	61.2	263,356.7	17,631.0	104,461.4	141,183.2	61.3	19.8	-	-	-	-	507.7	6,874.1	37,942.3
2020/09	658,173.6	341,585.3	62.8	270,011.6	17,631.2	98,429.9	153,870.0	60.7	19.8	-	-	-	-	709.2	6,929.5	38,875.3
2020/10	657,923.1	342,763.6	52.5	267,912.1	17,630.9	99,127.1	151,074.6	61.6	17.8	-	-	-	-	1,031.9	6,964.4	39,198.6
2020/11	628,792.8	346,285.9	59.4	238,435.3	17,630.0	60,634.9	160,092.0	60.6	17.8	-	-	-	-	1,277.6	6,875.7	35,858.8
2020/12	627,704.6	355,481.6	57.4	230,751.7	16,521.4	35,343.8	178,807.5	61.2	17.8	-	-	-	-	943.4	6,747.6	33,723.0

Source: Bank of Albania.

Burimi: Banka e Shqipërisë.





1-2 PARAQITJA MONETARE E BANKËS SË SHQIPËRISË

Në milionë lekë, fund periudhe

MONETARY SURVEY OF BANK OF ALBANIA 1-2

In millions ALL, end of period

	Mijetë valutoare neto/ Net foreign assets (2.3)	Pretendime ndaj prezidentëve/ Claims on nonresidents	Minus: Detyrime ndaj prezidentëve/ Less: Liabilities to nonresidents	Mijetë e brendshme / Domestic assets (5+ 6+ 9+ 11+ 12)	Pretendime në Gjendore / Net claims on Central Government (97)	Pretendime ndaj Qeverisë Claims on Cen- tral Government	Minus: Detyrime ndaj Qeverisë Less: Li- abilities to Central Government	Pretendime ndaj korporatave të tjera depozituese / Claims on other de- pository corporations	Pretendime ndaj korporatave të tjera financiare Claims on other financial corporations	Pretendime ndaj korporatave të financiare publike / Claims on public nonfinancial corpo- rations	Pretendime ndaj korporatave të tjera financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektoreve të tjera rezidentë / Claims on other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12
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
2019/12	402,015.9	426,984.7	24,968.8	44,588.6	8,490.4	55,206.3	46,715.9	33,956.4	-	-	-	2,141.8
2020/12	480,351.7	504,150.2	23,798.4	66,757.8	32,042.3	67,438.7	35,396.4	32,670.9	-	-	-	2,044.5
2020/07	502,884.1	527,737.9	24,853.8	-3,510.3	-46,974.2	64,049.5	111,023.7	41,374.8	-	-	-	2,089.1
2020/08	498,506.3	523,283.1	24,776.8	1,042.6	-40,132.5	64,368.9	104,501.4	39,094.2	-	-	-	2,080.9
2020/09	505,155.5	530,117.6	24,962.1	8,241.1	-34,424.7	64,038.1	98,462.8	40,593.4	-	-	-	2,072.4
2020/10	504,238.1	529,606.6	25,368.6	7,783.3	-34,227.6	64,955.2	99,182.8	39,945.8	-	-	-	2,065.1
2020/11	470,345.5	495,875.6	25,530.1	50,933.7	6,126.9	66,794.6	60,667.8	42,753.1	-	-	-	2,053.7
2020/12	480,351.7	504,150.2	23,798.4	66,757.8	32,042.3	67,438.7	35,396.4	32,670.9	-	-	-	2,044.5

	Baza monetare / Monetary base (14+ 15+ 16)	Paraqitja në qarkullim / Currency in circulation	Detyrimet ndaj korporatave të tjera depozituese / Liabilities to other depository corporations	Depozita të përfshira në paratë e gjerë / Deposits included in broad money		Huatë / Loans	Illogaritë të pagueshme / Other accounts payable	Të tjera neto / Other items net	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
				Depozita të përfshira në paratë e gjerë / Deposits included in broad money	Depozita të përfshira në paratë e gjerë / Deposits included in broad money				
2018 / 12	423,427.9	286,158.4	137,218.8	50.6	80.6	-	285.4	-20,659.0	31,088.6
2019 / 12	433,951.2	303,092.6	130,756.4	102.2	72.6	-	229.5	-20,774.9	33,126.1
2020 / 12	534,346.5	355,481.6	178,807.5	57.4	79.0	-	61.6	-21,100.6	33,723.0
2020 / 07	482,049.0	335,836.4	146,158.3	54.3	79.6	-	69.2	-21,257.8	38,433.8
2020 / 08	482,725.2	341,480.8	141,183.2	61.2	81.1	-	35.7	-21,235.2	37,942.3
2020 / 09	495,518.1	341,585.3	153,870.0	62.8	80.5	-	108.5	-21,185.8	38,875.3
2020 / 10	493,890.7	342,763.6	151,074.6	52.5	79.4	-	36.6	-21,184.0	39,198.6
2020 / 11	506,437.3	346,285.9	160,092.0	59.4	78.4	-	54.7	-21,150.0	35,858.8
2020 / 12	534,346.5	355,481.6	178,807.5	57.4	79.0	-	61.6	-21,100.6	33,723.0

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

1-3-A BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MUJETET

SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ ASSETS 1-3-A

Në milionë lekë, fund periudhe

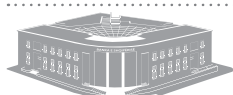
In millions ALL, end of period

	Totali i mjeteve / Total assets (2+ 3+ 4+ 8+ 12+ 22+ 25+ 26+ 27)												Depozita / Deposits (5+6+7)					Jezidentët / Nonresidents		Banka Qëndrore / Central Bank		Bankat para-depozituese / Deposit money banks		Letra me vlerë të ndryshme nga aksionet / Securities others than shares (9+ 10+ 11)		Nga të cilat / of which:		Gjevoja Qëndrore / Central Government		Korporata të tjera jo-financiare / Other nonfinancial corporations																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
2018 / 12	1,453,176.7	10,866.9	14,659.7	336,111.5	186,533.3	142,821.5	6,756.8	444,459.8	87,379.3	357,049.6	30.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						

	Huajtë / Loans (13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21)	Banka Qëndrore / Central Bank	Bankat pa- radepozituese / Deposit money banks	Korporata të tjera financiare / Other financial corporations	Qeveria Qëndrore / Central Government	Qeveria lokale / Local government	Korporata jo-financiare publike / Public nonfinancial corporations	Korporata të tjera financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity instruments (23+24)		Rezidentë / Residents	Derivatet financiare / Financial derivatives	Llogaritë të Aktëveshme / Other accounts receivable	Mjetet jo-financiare / Nonfinancial assets
										22	23				
2018 / 12	586,280.5	–	713.3	10,164.0	7,119.7	682.6	20,270.0	317,578.4	175,095.2	8,089.8	7,189.6	900.2	–	7,676.2	45,032.1
2019 / 12	605,644.8	–	1,992.8	13,555.1	5,620.6	560.6	24,182.4	335,884.5	186,510.3	7,119.0	6,129.0	990.0	–	8,870.7	43,097.7
2020 / 12	649,528.1	–	2,809.5	13,169.1	4,283.0	429.1	15,150.8	370,356.3	199,142.1	11,681.6	8,364.7	3,316.9	–	10,255.0	41,046.6
2020 / 07	641,344.4	–	4,416.4	13,869.5	4,297.1	481.4	18,603.2	355,683.3	191,836.0	9,804.0	8,811.3	992.6	–	10,001.9	41,029.5
2020 / 08	641,213.3	–	2,739.0	13,486.7	4,294.6	474.7	18,232.3	356,672.4	193,436.2	9,576.0	8,583.2	992.8	–	9,652.1	40,982.3
2020 / 09	645,128.4	–	2,688.0	13,212.5	4,295.8	460.1	18,176.3	357,485.7	195,280.0	9,317.5	8,324.7	992.8	–	10,580.4	40,497.8
2020 / 10	644,667.2	–	2,798.2	13,335.2	4,294.3	449.5	14,043.9	356,624.9	197,440.7	9,353.5	8,360.9	992.6	–	11,237.0	40,342.9
2020 / 11	639,326.3	–	1,681.6	13,132.8	4,283.3	441.0	13,950.6	359,388.8	198,538.4	9,194.6	8,202.1	992.4	–	10,810.1	40,472.3
2020 / 12	649,528.1	–	2,809.5	13,169.1	4,283.0	429.1	15,150.8	370,356.3	199,142.1	11,681.6	8,364.7	3,316.9	–	10,255.0	41,046.6

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ LIABILITIES 1-3.B
In millions ALL, end of period

	Leitar me vlerë të rrethimit nga aksionierët (18+ 19)	Korporata të tjera (finansiare / Other nonfinancial corporations)	Sektorë të tjerë rezidentë / Other resident sectors	Huatë / Loans (21+ 22+ 23+ 24+ 25+ 26+ 27)	Jorezidentët / Nonresidents	Banka Qëndrore / Central Bank	Korporata të tjera depozituese / Other depositary corporations	Gjeveita Qëndrore / Government	Korporata të tjera financiare / Other financial corporations	Korporata të tjera (finansiare / Other nonfinancial corporations)	Sektorë të tjerë rezidentë / Other resident sectors	Derivatet financiare / Financial derivatives	Llogaritë pagueshme / Other accounts payable	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
	17	18	19	20	21	22	23	24	25	26	27	28	29	30
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	61,225.6	156,329.1
2019/12	6,656.0	101.2	6,554.8	63,411.7	22,276.8	33,957.4	4,244.5	405.7	2,527.2	-	-	0.0	48,328.9	165,608.7
2020/12	5,926.3	57.0	5,869.3	60,881.0	20,016.9	32,670.9	3,944.9	491.5	3,756.8	-	-	-	56,808.6	178,797.2
2020/07	6,264.6	100.2	6,164.4	72,721.1	22,026.4	41,375.4	4,654.3	528.9	4,136.0	-	-	0.2	56,021.0	170,125.7
2020/08	6,804.8	100.5	6,704.3	70,722.4	21,853.0	39,094.2	4,988.0	559.1	4,228.0	-	-	-	53,009.9	171,458.7
2020/09	6,153.9	55.9	6,098.0	71,678.3	21,931.6	40,593.4	4,390.2	525.5	4,237.6	-	-	-	58,231.8	172,416.2
2020/10	6,167.4	56.3	6,111.1	68,994.9	19,992.3	39,946.3	4,201.9	525.1	4,329.4	-	-	0.2	59,409.4	174,224.8
2020/11	6,164.2	56.7	6,107.6	70,273.0	20,111.0	42,754.9	3,771.1	525.4	3,110.6	-	-	-	61,629.2	176,622.8
2020/12	5,926.3	57.0	5,869.3	60,881.0	20,016.9	32,670.9	3,944.9	491.5	3,756.8	-	-	-	56,808.6	178,797.2

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 neto / Net foreign assets (2.3)	Pretendime ndaj qëndrësve / Claims on nonresidents	Minus: Detyrime ndaj qëndrësve / Less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (3+ 6+ 9+ 10+ 11+ 12+ 13)	Pretendime ndaj Bankës Qëndrore / Claims on Central Bank	Pretendime neto ndaj Qëndrësve / Net claims on Cen- tral Government (7-8)	Pretendime ndaj Qëndrësve Qen- dore / Claims on Central Government	Minus: Detyrime ndaj Qëndrësve Qëndrore / Less: Liabilities to Central Government	Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations	Pretendime ndaj qeverisë lokale / Claims on local governments	Pretendime ndaj korporatave publike / Claims on public nonfinancial corporations	Pretendime ndaj korporatave të tjera financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektoreve të tjera rezidentë / Claims on other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13
2018/12	311,918.5	350,419.2	38,500.7	1,031,419.2	153,688.4	353,009.5	364,169.2	11,159.8	11,064.2	682.6	20,270.0	317,609.3	175,095.2
2019/12	331,096.9	367,020.1	35,923.2	1,074,147.2	142,525.5	369,908.2	381,253.4	11,345.2	14,545.2	560.6	24,182.4	335,915.0	186,510.3
2020/12	323,132.6	356,597.3	33,464.7	1,195,179.7	190,245.5	403,339.0	417,111.7	13,772.8	16,486.0	429.1	15,150.8	370,387.3	199,142.1
2020/07	322,438.1	358,531.4	36,093.3	1,140,174.0	159,462.0	399,214.8	411,790.2	12,575.4	14,862.1	481.4	18,603.2	355,714.5	191,836.0
2020/08	331,982.6	369,583.9	37,601.3	1,141,135.5	156,858.1	400,951.0	413,828.4	12,877.4	14,479.6	474.7	18,232.3	356,703.7	193,436.2
2020/09	330,684.9	366,428.7	35,743.9	1,155,842.3	166,783.2	403,420.4	415,855.8	12,435.4	14,205.3	460.1	18,176.3	357,517.1	195,280.0
2020/10	335,588.4	369,115.0	33,526.5	1,157,877.0	164,932.3	410,026.5	422,895.6	12,869.1	14,327.8	449.5	14,043.9	356,656.3	197,440.7
2020/11	343,773.0	377,207.3	33,434.2	1,156,053.4	171,261.2	398,316.6	413,169.6	14,853.0	14,125.2	441.0	13,950.6	359,420.3	198,538.4
2020/12	323,132.6	356,597.3	33,464.7	1,195,179.7	190,245.5	403,339.0	417,111.7	13,772.8	16,486.0	429.1	15,150.8	370,387.3	199,142.1

	Detyrime ndaj Bankës Qëndrore / Liabilities to Central Bank	Detyrime ndaj përfshirë në paratë e gjerë / Deposits included in broad money (16+17)	Depozita të transfeshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa përf- shirë në paratë e gjerë / Deposits not included in broad money	Letra me vlerë të ndryshme nga aksionet / Securities others than shares	Huallë / Loans	Aksione dhe instrumente të tjera të kapitalit / Shares and other equity	Nga të cilat: Rezerva vlerësimi / Of which: Valuation adjustment	Detyrime të tjera neto / Other net liabilities	Axhustimi i konsoli- dit / Consolidation adjustment
	14	15	16	17	18	19	20	21	22	23	24
2018/12	38,322.8	981,771.8	374,906.6	606,775.2	148,694.4	6,183.1	2,837.8	156,329.1	-7,505.5	4,307.8	4,890.9
2019/12	34,779.6	1,018,915.1	408,677.6	610,237.5	178,169.1	6,656.0	2,527.2	165,608.7	-5,112.5	-6,123.3	4,711.8
2020/12	34,117.7	1,103,646.1	490,336.5	613,309.6	186,704.3	5,926.3	3,756.8	178,797.2	-4,060.2	3,053.9	2,310.0
2020/07	43,911.6	1,047,028.0	441,840.7	605,187.3	185,389.9	6,264.6	4,136.0	170,125.7	-4,490.7	2,600.2	3,156.5
2020/08	41,978.1	1,061,291.6	455,183.7	606,107.9	185,080.4	6,804.8	4,228.0	171,458.7	-4,864.1	-491.9	2,768.3
2020/09	41,868.3	1,069,512.5	459,473.7	610,038.8	185,206.8	6,153.9	4,237.6	172,416.2	-4,373.8	4,568.3	2,563.8
2020/10	42,892.8	1,072,481.9	464,145.3	608,336.6	186,216.5	6,167.4	4,329.4	174,224.8	-4,563.2	4,804.8	2,347.9
2020/11	43,187.3	1,075,633.6	465,817.0	609,816.6	185,969.9	6,164.2	3,110.6	176,622.8	-4,711.5	6,281.3	2,856.8
2020/12	34,117.7	1,103,646.1	490,336.5	613,309.6	186,704.3	5,926.3	3,756.8	178,797.2	-4,060.2	3,053.9	2,310.0

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



1-5 BILANCI SEKTORIAL I SHOQËRIVE TË KURSIM-KREDITIT

Në milionë lekë, fund periudhë

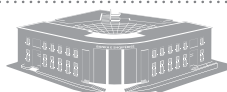
SECTORAL BALANCE SHEET OF SAVINGS AND LOAN ASSOCIATIONS 1-5
In millions ALL, end of period

	Totali i mjeteve / Total assets (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 corporations	Mjetë të tjerë / Other financial assets	Mjetë jo-financiare / Nonfinancial assets
	1	2	3	4	5	6	7	8	9	10	11	12
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/IV	9,651.1	6.3	0.2	2,009.9	1,572.5	437.4	137.0	7,201.3	7,201.3	-	41.5	254.9
2019/IV	11,235.3	8.9	1.4	2,327.8	2,238.7	89.1	125.3	7,957.9	7,957.9	-	125.6	688.5
2019/IV	11,235.3	8.9	1.4	2,327.8	2,238.7	89.1	125.3	7,957.9	7,957.9	-	125.6	688.5
2020/I	11,554.4	23.2	1.9	2,405.3	2,309.3	96.0	154.7	8,131.2	8,131.2	-	154.0	684.0
2020/II	11,494.7	15.3	1.6	2,309.1	2,216.7	92.4	237.7	8,108.0	8,108.0	-	139.8	683.1
2020/III	11,719.5	15.9	2.2	2,311.1	2,218.1	93.0	239.8	8,324.6	8,324.6	-	155.0	671.1

	Delirimet totale / Total liabilities (2+ 5+ 8+ 12+ 13)	Depozita të përfshira në paranë e gjerë / Deposits in- cluded in broad money (3+4)	Sektorë të tjerë rezidentë / Other resident sectors	Korporatat e tjera jo-financiare / Other nonfinancial corporations	Depozita të përfshira në paranë 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 qën- dore / Central Government	Detyrime të tjera / Other liabilities	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13
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/IV	9,650.9	7,019.8	7,019.8	-	152.4	152.4	-	917.3	-	917.3	-	111.6	1,449.9
2019/IV	11,235.3	8,235.7	8,235.7	-	133.4	133.4	-	1,105.9	-	1,105.9	-	237.8	1,522.5
2019/IV	11,235.3	8,235.7	8,235.7	-	133.4	133.4	-	1,105.9	-	1,105.9	-	237.8	1,522.5
2020/I	11,554.4	8,455.4	8,455.4	-	118.7	118.7	-	1,081.7	-	1,081.7	-	242.9	1,655.7
2020/II	11,494.7	8,487.7	8,487.7	-	116.8	116.8	-	920.1	-	920.1	-	260.7	1,709.4
2020/III	11,719.5	8,643.7	8,643.7	-	101.4	101.4	-	882.7	-	882.7	-	267.3	1,824.5

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



MONETARY SURVEY OF OTHER DEPOSITORY CORPORATIONS 1-6

1-6 PARAQITJA MONETARE E KORPORATAVE TË TJERA DEPOZITUESE

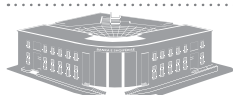
In millions ALL, end of period

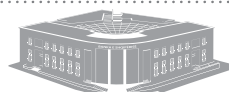
	Mjetet e neto / Net foreign assets (2-3)	Pretendimet ndaj qendrës / Claims on nonresidents	Minus: Detyrime ndaj qendrës / Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+ 6+ 9+ 10+ 11+ 12+ 13)	Pretendimet ndaj Bankës Qendrore / Claims on Central Bank	Pretendimet neto ndaj Qendrës / Net claims on Cen- tral Government (78)	Pretendimet ndaj Qendrës / Claims on Central Government	Minus: Detyrime ndaj Qendrës / Less: Liabilities to Central Government	Huatë / Loans	Aksione dhe instrumente të tjera të kapitit / Shares and other equity	Nga të cilat: Rezerva rirësimi / Of which: Valuation adjustment	Detyrime të tjera neto / Other net liabilities	Axhustimi i konsolidimit / Con- solidation adjustment
	1	2	3	4	5	6	7	8	9	10	11	12	13
2018/12	311,918.7	350,419.4	38,500.7	1,039,201.2	153,694.6	353,146.5	364,306.3	11,159.8	11,501.7	682.6	20,270.0	317,609.3	182,296.5
2019/12	331,098.2	367,021.5	35,923.2	1,082,328.3	142,534.4	370,033.5	381,378.7	11,345.2	14,634.3	560.6	24,182.4	335,915.0	194,468.1
2020/12	323,134.8	356,599.5	33,464.7	1,203,852.9	190,261.4	403,578.7	417,351.5	13,772.8	16,579.0	429.1	15,150.8	370,387.3	207,466.7
2020/07	322,439.7	358,533.1	36,093.3	1,148,627.4	159,477.3	399,452.6	412,027.9	12,575.4	14,954.5	481.4	18,603.2	355,714.5	199,944.0
2020/08	331,984.3	369,585.6	37,601.3	1,149,589.0	156,873.5	401,188.7	414,066.1	12,877.4	14,571.9	474.7	18,232.3	356,703.7	201,544.2
2020/09	330,687.0	366,430.9	35,743.9	1,164,515.5	166,799.1	403,660.2	416,095.6	12,435.4	14,298.2	460.1	18,176.3	357,517.1	203,604.5
2020/10	335,590.6	369,117.1	33,526.5	1,166,550.2	164,948.2	410,266.3	423,135.4	12,869.1	14,420.8	449.5	14,043.9	356,656.3	205,765.2
2020/11	343,775.2	377,209.4	33,434.2	1,164,726.6	171,277.1	398,556.4	413,409.4	14,853.0	14,218.2	441.0	13,950.6	359,420.3	206,863.0
2020/12	323,134.8	356,599.5	33,464.7	1,203,852.9	190,261.4	403,578.7	417,351.5	13,772.8	16,579.0	429.1	15,150.8	370,387.3	207,466.7

	Detyrime ndaj Bankës Qendrore / Liabilities to Central Bank	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents	Detyrime ndaj qendrës / Claims on nonresidents
	14	15	16	17	18	19	20	21	22	23	24	25	26
2018/12	38,322.8	988,791.5	374,996.6	613,794.9	148,846.8	6,183.1	2,837.8	157,779.0	-7,503.5	4,123.0	4,235.7	4,235.7	4,235.7
2019/12	34,779.6	1,027,150.7	408,677.6	618,473.2	178,302.5	6,656.0	2,527.2	167,131.2	-5,112.5	-6,699.6	3,579.0	3,579.0	3,579.0
2020/12	34,117.7	1,112,289.8	490,336.5	621,953.3	186,805.6	5,926.3	3,756.8	180,621.6	-4,060.2	2,495.1	974.5	974.5	974.5
2020/07	43,911.6	1,055,515.6	441,840.7	613,675.0	185,506.7	6,264.6	4,136.0	171,835.2	-4,490.7	2,038.0	1,859.9	1,859.9	1,859.9
2020/08	41,978.1	1,069,779.3	455,183.7	614,595.6	185,197.2	6,804.8	4,228.0	173,168.1	-4,864.1	-1,054.1	1,471.8	1,471.8	1,471.8
2020/09	41,868.3	1,078,156.2	459,473.7	618,682.5	185,308.2	6,153.9	4,237.6	174,240.7	-4,373.8	4,009.5	1,228.4	1,228.4	1,228.4
2020/10	42,892.8	1,081,125.6	464,145.3	616,980.3	186,317.8	6,167.4	4,329.4	176,049.3	-4,563.2	4,246.1	1,012.5	1,012.5	1,012.5
2020/11	43,187.3	1,084,277.3	465,817.0	618,460.3	186,071.3	6,164.2	3,110.6	178,447.2	-4,711.5	5,722.6	1,521.4	1,521.4	1,521.4
2020/12	34,117.7	1,112,289.8	490,336.5	621,953.3	186,805.6	5,926.3	3,756.8	180,621.6	-4,060.2	2,495.1	974.5	974.5	974.5

Source: Bank of Albania.

Burimi: Banka e Shqipërisë.





1-7 PARAQITJA MONETARE E KORPORATIVE DEPOZITUESE

Në milionë lekë, fund periudhe

MONETARY SURVEY OF DEPOSITORY CORPORATIONS 1-7

In millions ALL, end of period

	Mjetet valutorë neto / Net foreign assets (2+3)		Minus: Detyrime ndaj të rezidentëve / Less: Liabilities to nonresidents		Mjetet e brendshme / Domestic assets (3+8)	Pretendimet neto ndaj Qendrës / Net claims on Cen- tral Government (6+7)		Pretendimet ndaj Qendrës / Claims on Central Government		Minus: Detyrime ndaj Qendrës / Less: Liabilities to Central Government		Pretendime ndaj sektoreve të tjera / Claims on other sectors (9+ 10+ 11+ 12+ 13)		Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations	Pretendimet ndaj korporatave të reversës lokale / Claims on local government	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 rezidentë / Claims on other resident sectors
	1	2	3	4		5	6	7	8	9	10	11	12	13				
2018/12	724,363.2	786,907.1	62,544.0	874,968.0	340,780.7	419,935.2	79,154.5	534,187.3	11,501.7	682.6	20,270.0	317,609.3	184,123.7					
2019/12	733,114.2	794,006.2	60,892.0	950,426.1	378,523.9	436,585.0	58,061.0	571,902.2	14,634.3	560.6	24,182.4	335,915.0	196,609.9					
2020/12	803,486.5	860,749.6	57,263.1	1,047,678.4	435,621.1	484,790.2	49,169.2	612,057.3	16,579.0	429.1	15,150.8	370,387.3	209,511.2					
2020/07	825,323.8	886,270.9	60,947.1	944,265.0	352,478.3	476,077.4	123,599.1	591,786.6	14,954.5	481.4	18,603.2	355,714.5	202,033.1					
2020/08	830,490.6	892,868.7	62,378.1	954,663.9	361,056.2	478,435.0	117,378.8	593,607.7	14,571.9	474.7	18,232.3	356,703.7	203,625.1					
2020/09	835,842.6	896,548.5	60,705.9	965,364.1	369,235.5	480,133.7	110,898.2	596,128.6	14,298.2	460.1	18,176.3	357,517.1	205,676.9					
2020/10	839,828.7	898,723.7	58,895.1	969,439.5	376,038.7	488,090.6	112,051.9	593,400.7	14,420.8	449.5	14,043.9	356,656.3	207,830.3					
2020/11	814,120.7	873,085.0	58,964.3	1,001,630.0	404,683.3	480,204.0	75,520.7	596,946.8	14,218.2	441.0	13,950.6	359,420.3	208,916.7					
2020/12	803,486.5	860,749.6	57,263.1	1,047,678.4	435,621.1	484,790.2	49,169.2	612,057.3	16,579.0	429.1	15,150.8	370,387.3	209,511.2					

	Detyrimet e parësishme gjera / Broad liabilities money (15+16)	Paraja jashtë korporatave de- pozituese / Money outside depository corporations		Depozita të përfshira në parën- e gjërë / Deposits included in Broad money (17+ 18)		Depozita të transferueshme / Transferable deposits		Depozita të gjera / Other deposits		Depozita të përfshira në parën- e gjërë / Deposits excluded from broad money		Letra me vlerë të ndryshme nga aksionet / Securities others than shares		Huatë / loans		Llogaritë të pagueshme / Other accounts payable		Aksione dhe instrumente të tjera të kapitalit / Shares and other equity		Nga le- vizimet / Ot- her valuations which adjustment		Detyrime të tjera neto / Other liabilities net		Ajustimi i konsolidimit / Consolidation adjustment	
		14	15	16	17	18	19	20	21	22	23	24	25	26											
2018/12	1,264,127.4	275,285.3	988,842.1	375,047.2	613,794.9	148,927.5	6,183.1	2,837.8	285.4	188,867.6	-6,265.5	-12,300.4	402.5												
2019/12	1,318,662.0	291,409.0	1,027,252.9	408,779.8	618,473.2	178,375.1	6,656.0	2,527.2	229.5	200,257.3	-2,651.7	-23,895.5	728.7												
2020/12	1,456,902.7	344,555.5	1,112,347.2	490,393.9	621,953.3	186,884.7	5,926.3	3,756.8	61.6	214,344.6	-1,094.9	-17,631.0	919.0												
2020/07	1,380,156.0	324,586.1	1,055,569.9	441,895.0	613,675.0	185,586.3	6,264.6	4,136.0	69.2	210,268.9	3,664.1	-17,360.0	468.1												
2020/08	1,398,002.5	328,162.0	1,069,840.5	455,244.9	614,595.6	185,278.3	6,804.8	4,228.0	35.7	211,110.4	2,709.2	-20,817.6	512.4												
2020/09	1,407,625.4	329,406.4	1,078,219.0	459,536.5	618,682.5	185,388.7	6,153.9	4,237.6	108.5	213,116.0	4,018.6	-15,947.9	524.7												
2020/10	1,412,668.9	331,490.9	1,081,178.1	464,197.8	616,980.3	186,397.3	6,167.4	4,329.4	36.6	215,247.9	4,048.4	-15,925.5	346.1												
2020/11	1,419,274.0	334,937.3	1,084,336.7	465,876.4	618,460.3	186,149.7	6,164.2	3,110.6	54.7	214,306.1	459.7	-13,906.1	597.6												
2020/12	1,456,902.7	344,555.5	1,112,347.2	490,393.9	621,953.3	186,884.7	5,926.3	3,756.8	61.6	214,344.6	-1,094.9	-17,631.0	919.0												

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

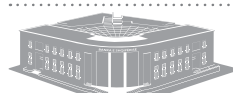
1-8.A AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE

MONETARY AGGREGATES AND THEIR COMPONENTS 1-8.A

	M3 [2+7]	M2 [3+6]	M1 [4+5]	Paraja jashtë korporatave depozituese / Currency outside depository corporations	Llogari rrjedhëse dhe depozitat pa afat në lekë / Current accounts and non-term deposits in national currency	Depozitat me afat në lekë / Time deposits in national currency	Depozitat në valutë / Deposits in foreign currency
	1	2	3	4	5	6	7
	Gjendja në fund të periudhës (në milionë Lekë) / Stock at end of period (in millions ALL)						
2018/12	1,264,127.4	731,502.1	478,721.5	275,285.3	203,436.2	252,780.6	532,625.3
2019/12	1,318,662.0	758,021.7	523,968.3	291,409.0	232,559.3	234,053.4	560,640.3
2020/12	1,456,902.7	862,249.3	637,313.0	344,555.5	292,757.5	224,936.3	594,653.4
2020/07	1,380,156.0	815,158.3	586,850.5	324,586.1	262,264.4	228,307.8	564,997.7
2020/08	1,398,002.5	820,040.7	594,139.8	328,162.0	265,977.7	225,900.9	577,961.9
2020/09	1,407,625.4	825,594.1	598,539.0	329,406.4	269,132.6	227,055.1	582,031.3
2020/10	1,412,668.9	829,035.7	603,654.2	331,490.9	272,163.3	225,381.5	583,633.3
2020/11	1,419,274.0	834,413.1	609,339.0	334,937.3	274,401.8	225,074.0	584,860.9
2020/12	1,456,902.7	862,249.3	637,313.0	344,555.5	292,757.5	224,936.3	594,653.4
	Ndryshimi vjetor në përqindje / Annual percentage changes						
2018/12	-0.2	-1.0	3.7	3.8	3.6	-8.9	0.9
2019/12	4.3	3.6	9.5	5.9	14.3	-7.4	5.3
2020/12	10.5	13.7	21.6	18.2	25.9	-3.9	6.1
2020/07	7.5	9.3	16.3	14.5	18.8	-5.4	5.0
2020/08	7.6	10.1	17.2	13.8	21.6	-4.9	4.3
2020/09	8.5	11.4	18.6	15.9	22.1	-3.9	4.7
2020/10	8.6	11.9	19.0	16.9	21.6	-3.6	4.4
2020/11	8.9	11.8	18.6	16.9	20.8	-3.3	5.1
2020/12	10.5	13.7	21.6	18.2	25.9	-3.9	6.1

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



1-8.B KUNDËRPARTITË E AGREGATËVE MONETARË

COUNTERPARTS OF MONETARY AGGREGATES 1-8.B

	Mjetet valutore neto / Net Foreign Assets	Mjetet e brendshme / Domestic assets (3+4)	Pretendimet ndaj Qeverisë Qendrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *	Të tjera neto / Other items net
	1	2	3	4	5
Gjendja në fund të periudhës (milionë Lekë)/ Stock at end of period (in millions ALL)					
2018/12	724,363.2	874,968.0	340,780.7	534,187.3	(12,300.4)
2019/12	733,114.2	950,426.1	378,523.9	571,902.2	(23,895.5)
2020/12	803,486.5	1,047,678.4	435,621.1	612,057.3	(17,631.0)
2020/07	825,323.8	944,265.0	352,478.3	591,786.6	(17,360.0)
2020/08	830,490.6	954,663.9	361,056.2	593,607.7	(20,817.6)
2020/09	835,842.6	965,364.1	369,235.5	596,128.6	(15,947.9)
2020/10	839,828.7	969,439.5	376,038.7	593,400.7	(15,925.5)
2020/11	814,120.7	1,001,630.0	404,683.3	596,946.8	(13,906.1)
2020/12	803,486.5	1,047,678.4	435,621.1	612,057.3	(17,631.0)

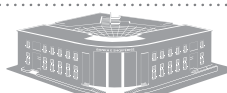
	Ndryshimi vjetor në përqindje / Annual percentage changes			
	Mjetet valutore neto / Net foreign assets	Mjetet e brendshme / Domestic assets	Pretendimet ndaj Qeverisë Qendrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *
	1	2	3	4
2018/12	3.4	-3.1	-2.9	-3.2
2019/12	1.2	8.6	11.1	7.1
2020/12	9.6	10.2	15.1	7.0
2020/07	16.4	2.3	-3.0	5.8
2020/08	14.5	2.7	-1.9	5.7
2020/09	14.9	3.4	0.8	5.1
2020/10	15.2	3.3	1.8	4.2
2020/11	11.6	6.4	8.8	4.9
2020/12	9.6	10.2	15.1	7.0

Burimi: Banka e Shqipërisë

* Përfshin kredinë për ekonominë dhe pretendime të tjera ndaj sektorëve mbajtës së parasë së gjerë.

Source: Bank of Albania.

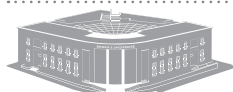
* Include credit to economy and other claims on broad money holding sectors.



1-9 DEPOZITAT NË LEKË SIPAS SEKTORËVE*
Në milionë lekë, fund periudhe

1-9 DEPOSITATS BY SECTORS*
In millions ALL, end of period

	Llogaritë rrjedhëse dhe depozita pa afat / Current account and sight deposits (3+ 4+ 5+ 6+ 7)												
	Total i depozitave, Total deposits (2+8)	Qeveria lokale / Local government	Korporatat jo-financiare publike / Public nonfinancial corporations	Korporatat të financiare / Other financial corporations	Korporatat të financiare jo-financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Depozitat me afat / Time deposits (9+ 10+ 11+ 12+ 13)	Qeveria lokale / Local government	Korporatat jo-financiare publike / Public nonfinancial corporations	Korporatat të financiare / Other financial corporations	Korporatat të financiare jo-financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2018/12	456,216.8	203,436.2	1,482.1	8,861.1	2,586.8	49,221.4	141,284.9	252,780.6	13.1	1,634.7	5,050.5	9,687.0	236,395.4
2019/12	466,612.6	232,559.3	1,624.5	10,786.4	3,780.6	51,972.3	164,395.5	234,053.4	10.1	709.2	4,146.7	7,977.5	221,209.9
2020/12	517,693.8	292,757.5	1,644.1	13,912.5	3,797.6	70,043.5	203,359.8	224,936.3	10.1	1,465.4	4,868.2	6,836.3	211,756.4
2020/07	490,572.2	262,264.4	1,559.4	12,385.3	4,497.1	57,968.8	185,853.9	228,307.8	10.0	2,857.2	4,192.1	6,424.6	214,823.9
2020/08	491,878.6	265,977.7	1,793.2	12,267.0	4,154.3	59,744.6	188,018.6	225,900.9	10.0	2,412.7	4,281.0	6,182.7	213,014.4
2020/09	496,187.7	269,132.6	1,660.8	12,711.1	3,809.5	60,899.4	190,051.9	227,055.1	10.0	2,296.7	4,822.4	6,549.0	213,377.0
2020/10	497,544.8	272,163.3	1,695.9	13,427.8	4,256.1	60,363.0	192,420.5	225,381.5	10.0	2,286.9	4,761.9	5,782.1	212,540.5
2020/11	499,475.8	274,401.8	1,660.9	13,584.3	4,128.5	59,416.0	195,612.2	225,074.0	10.1	2,300.2	4,524.0	6,230.3	212,009.5
2020/12	517,693.8	292,757.5	1,644.1	13,912.5	3,797.6	70,043.5	203,359.8	224,936.3	10.1	1,465.4	4,868.2	6,836.3	211,756.4



FOREIGN CURRENCY DENOMINATED DEPOSITS BY SECTORS* 1-10
In millions ALL, end of period

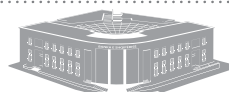
1-10 DEPOZITAT NË VALUTË SIPAS SEKTORËVE*
Në milionë lekë, fund periudhe

	Total i depozitave / Total deposits (2+8)	Llogarit rrjedhëse dhe depozita pa afat / Current account and sight deposits (3+ 4+ 5+ 6+ 7)					Depozitat me afat / Time deposits (9+ 10+ 11+ 12+ 13)					Sektore të tjerë rezidentë / Other resident sectors		
	1	2	3	4	5	6	7	8	9	10	11	12	13	
2018/12	532,625.3	289,232.7	113.4	1,407.7	3,616.5	78,055.3	206,039.8	243,392.6	-	1,696.3	3,598.1	11,813.8	226,284.5	
2019/12	560,640.3	324,658.7	157.9	2,823.3	5,360.3	81,786.9	234,530.3	235,981.6	-	1,521.8	7,057.6	11,661.7	215,740.6	
2020/12	594,653.4	369,776.5	82.3	2,343.5	6,743.5	96,126.3	264,480.9	224,876.9	-	1,731.9	6,938.6	10,854.2	205,352.2	
2020/07	564,997.7	337,188.5	85.2	2,635.0	5,204.8	83,535.4	245,728.1	227,809.2	-	1,717.7	6,214.5	10,461.5	209,415.6	
2020/08	577,961.9	351,131.5	47.9	2,637.9	6,661.6	90,466.9	251,317.2	226,830.4	-	1,711.2	6,221.8	10,010.3	208,887.0	
2020/09	582,031.3	354,901.5	66.4	2,556.5	5,390.3	91,328.1	255,560.3	227,129.8	-	1,673.9	6,663.8	10,313.9	208,478.3	
2020/10	583,633.3	358,460.4	92.4	2,556.4	4,995.8	92,919.1	257,896.8	225,172.8	-	1,673.5	6,670.7	10,131.6	206,697.1	
2020/11	584,860.9	360,583.3	104.7	2,747.2	4,699.0	92,556.6	260,475.8	224,277.7	-	1,663.8	6,580.1	10,616.7	205,417.0	
2020/12	594,653.4	369,776.5	82.3	2,343.5	6,743.5	96,126.3	264,480.9	224,876.9	-	1,731.9	6,938.6	10,854.2	205,352.2	

Burimi: Banka e Shqipërisë

* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parash së gjerë.

Source: Bank of Albania
* Deposits included in broad money.



1-11 KREDIA PËR EKONOMINË SIPAS SEKTORIT *
Në milionë lekë, fund periudhe

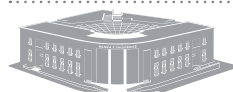
CREDIT TO ECONOMY BY SECTOR * 1-11
In millions ALL, end of period

	Kredita në lekë / Credit in national currency (3+ 4+ 5+ 6+ 7)							Kredita në valutë / Credit in foreign currency (9+ 10+ 11+ 12+ 13)						
	Korporatat publike / Public nonfinancial corporations	Korporatat të tjerë financiare / Other financial corporations	Korporatat të tjerë financiare / Other financial corporations	Korporatat të tjerë financiare / Other financial corporations	Sektori i tjerë rezidentë / Other resident sectors	Korporatat publike / Public nonfinancial corporations	Korporatat të tjerë financiare / Other financial corporations	Gjevera lokale / Local government	Korporatat publike / Public nonfinancial corporations	Korporatat të tjerë financiare / Other financial corporations	Korporatat të tjerë financiare / Other financial corporations	Korporatat të tjerë financiare / Other financial corporations	Sektori i tjerë rezidentë / Other resident sectors	
Totali i kredisë / Total credit (2+8)	1	2	3	4	5	6	7	8	9	10	11	12	13	
2018/12	532,818.6	268,753.0	682.6	16,594.1	127,739.6	4,802.1	118,934.6	264,065.6	-	3,675.9	189,838.8	5,361.9	65,189.0	
2019/12	570,792.2	298,723.8	560.6	18,489.7	141,240.5	8,023.8	130,409.2	272,068.3	-	5,692.7	194,644.1	5,531.3	66,200.3	
2020/12	608,616.4	320,536.2	429.1	11,819.6	161,975.3	7,489.2	138,823.0	288,080.2	-	3,331.2	208,381.0	5,679.9	70,688.1	
2020/07	590,670.4	308,436.9	481.4	14,043.1	152,867.9	7,817.4	133,227.2	282,233.5	-	4,560.1	202,815.5	6,052.1	68,805.8	
2020/08	592,491.2	311,759.0	474.7	13,740.7	155,769.4	7,536.4	134,237.7	280,732.2	-	4,491.6	200,903.0	5,950.3	69,387.3	
2020/09	595,011.4	315,407.6	460.1	13,733.0	157,712.2	7,563.4	135,938.9	279,603.8	-	4,443.3	199,773.5	5,649.1	69,737.9	
2020/10	592,283.6	316,680.0	449.5	11,278.0	159,548.7	7,554.4	137,849.5	275,603.6	-	2,765.8	197,076.2	5,780.9	69,980.7	
2020/11	595,829.8	318,627.7	441.0	11,006.6	161,736.0	7,521.4	137,922.7	277,202.1	-	2,944.0	197,652.8	5,611.4	70,993.9	
2020/12	608,616.4	320,536.2	429.1	11,819.6	161,975.3	7,489.2	138,823.0	288,080.2	-	3,331.2	208,381.0	5,679.9	70,688.1	

Burimi: Banka e Shqipërisë.

* Kredita dhënë nga korporatat depozituese (Banka Gëndrore, bankat paradepozituese dhe shoqëritë e kusim-kreditit).

* Credit granted by depository corporations (Central bank, deposit money banks and savings and loan associations).



**1-12 HUATË E KORPORATAVE JOFINANCIARE SIPAS
AKTIVITETIT EKONOMIK (NVE - REV.2) ***
Në milionë lekë, fund periudhe

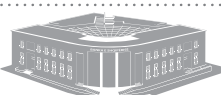
**LOANS OF NON-FINANCIAL CORPORATIONS BY
ECONOMIC ACTIVITY (NACE - REV.2) * 1-12**
In millions ALL, end of period

	Totali i huave për kor- poratat jo financiare / Total loans to non-fi- nancial corporations											Informacioni dhe komunikacioni / Information and communication
	1 (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10+ 11+ 12+ 13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21+ 22)	2 Bujëqësia, Pyetj- eshkimi / Agricul- ture, forestry and fishing	3 Industria nxjerrëse / Mining and quarrying	4 Industria përpunuese / Manufacturing	Energjia elektrike, furnizimi me gaz, uull dhe ajër i kondi- cionuar / Electricity, gas, steam and air conditioning supply	Furnizimi me ujë, aktivitetet të trajtimit dhe menaxhimit të mbetur- nave, mbetjeve / Water supply, sewerage, waste management and remediation activities	Ndërtimi / Con- struction	Tregtia me shumicë dhe me pakicë; Riparimi i automobileve dhe mo- tociçklave / Wholesale and retail trade; repair of motor vehicles and motorcycles	Transport dhe magazini / Transportation and storage	Akomodimi dhe shërbimi ushtimor / Accommodation and food service activities		
2018/12	337,848.4	5,643.5	8,542.9	51,063.9	36,604.8	241.6	45,659.5	118,490.1	5,824.0	13,713.5	3,119.4	
2019/12	360,067.0	5,068.2	10,159.6	48,381.0	47,413.5	265.0	45,303.9	119,654.3	9,525.0	16,148.9	4,136.2	
2020/12	385,507.1	5,830.3	11,266.2	53,309.9	39,014.6	2,021.3	49,131.3	129,988.2	6,103.0	22,638.1	6,805.7	
2020/07	374,286.5	4,952.7	10,855.1	52,591.1	41,314.3	233.1	50,623.8	120,978.5	9,946.2	21,611.9	2,704.6	
2020/08	374,904.8	4,702.8	10,806.9	52,832.4	40,397.6	232.8	50,748.3	121,726.8	10,009.3	22,663.6	2,816.5	
2020/09	375,662.1	4,925.8	10,639.3	52,587.1	39,950.4	276.3	50,966.0	121,469.4	10,235.5	22,974.1	2,645.6	
2020/10	370,668.7	5,011.7	10,884.2	51,993.8	34,978.5	280.3	50,549.6	121,867.4	10,188.4	22,942.7	2,687.2	
2020/11	373,339.4	5,819.7	10,648.6	52,414.1	35,585.4	286.4	50,452.9	122,813.2	9,980.7	22,620.0	2,804.8	
2020/12	385,507.1	5,830.3	11,266.2	53,309.9	39,014.6	2,021.3	49,131.3	129,988.2	6,103.0	22,638.1	6,805.7	

	Aktivitetet financiare dhe të sigurimit / Financial and insurance activities	Aktivitetet pasivive të paluajtshme / Real estate activities	Aktivitetet profesionale, shkencore dhe teknike / Professional, scientific and technical activities	Shërbime administrative dhe mbështetëse / Administrative and support service activities	Administrimi publik dhe mbrojtja, siguria sociale dhe ushqyeria / Public administration and defence; compulsory social security	Asimi / Education	Shërbimet dhe shëndetësi dhe aktivitetet sociale / Human health and social work activities	Arte, argëtim dhe çlodhje / Arts, entertainment and recreation	Aktivitetet tjera shërbimi / Other service activities	Aktivitetet të familjeve si punëdhënës; Aktivitetet të prodhimit të mallrave e shërbimeve të familjeve për përdorim të përbashkët / Activities of households as employers; undifferentiated goods- and services-producing activities of Hh for own use	Aktivitetet organizative dhe organizative ndërkombëtare / Activities of extraterritorial organizations and bodies
	12	13	14	15	16	17	18	19	20	21	22
2018/12	2,823.6	5,449.6	1,448.8	2,475.2	3,333.8	5,569.5	4,025.3	1,147.7	21,214.0	1,275.2	182.9
2019/12	2,424.4	5,281.0	1,510.1	3,125.0	3,889.5	4,265.1	4,716.1	866.9	27,093.4	839.8	0.3
2020/12	1,925.5	4,963.5	3,251.7	2,913.1	1,040.6	4,364.4	7,215.2	1,340.5	30,776.3	759.9	847.9
2020/07	1,713.5	5,240.7	1,592.2	3,190.6	3,989.4	4,520.6	6,105.8	1,121.7	29,220.0	904.4	876.3
2020/08	1,767.9	5,143.2	1,584.8	3,136.8	3,958.1	4,541.5	6,186.1	1,040.5	28,831.7	900.8	876.5
2020/09	1,797.4	5,033.0	1,560.4	2,924.9	4,020.3	4,541.0	6,533.6	1,147.5	29,608.9	940.9	885.0
2020/10	1,863.1	5,069.3	1,577.3	2,910.8	4,312.9	4,329.9	6,593.4	1,009.8	29,895.9	851.5	871.0
2020/11	1,971.2	5,118.0	1,618.7	2,701.9	4,024.1	4,291.2	6,842.2	1,096.5	30,554.1	835.6	860.1
2020/12	1,925.5	4,963.5	3,251.7	2,913.1	1,040.6	4,364.4	7,215.2	1,340.5	30,776.3	759.9	847.9

Source: Bank of Albania.
* Data on loans include accrued interests.

Burimi: Banka e Shqipërisë.
* Të dhënat e huave përfshijnë interesat e përlogantur.



**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 jofinanciare private / Private non-financial corporations loans [2+ 9+ 16+ 23]	Në lekë / In ALL (3+ 4+ 5+ 6+ 7+ 8)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për celje biznesi / Loans for starting up a business	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments
	1	2	3	4	5	6	7	8
2018/12	317,578.4	127,739.6	36,319.8	27,253.6	6,626.7	31,340.4	26,002.8	196.3
2019/12	335,884.6	141,240.5	38,668.9	29,420.3	7,197.1	36,369.9	29,414.4	169.8
2020/12	370,356.3	161,975.3	35,870.3	39,685.4	7,470.3	48,028.6	30,920.6	—
2020/07	355,683.3	152,867.9	37,198.7	37,701.7	7,226.7	41,568.7	29,014.3	157.8
2020/08	356,672.5	155,769.5	36,914.5	36,831.5	7,282.3	44,235.7	30,505.4	—
2020/09	357,485.8	157,712.2	36,563.4	38,072.7	7,483.3	45,387.1	30,205.8	—
2020/10	356,624.8	159,548.6	36,333.6	38,327.9	7,477.4	46,997.2	30,412.6	—
2020/11	359,388.8	161,736.0	37,367.5	38,352.2	7,620.1	47,557.7	30,838.5	—
2020/12	370,356.3	161,975.3	35,870.3	39,685.4	7,470.3	48,028.6	30,920.6	—

	Në dollarë amerikanë / In USD (10+ 11+ 12+ 13+ 14+ 15)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për celje biznesi / Loans for starting up a business	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments
	9	10	11	12	13	14	15
2018/12	19,833.8	9,962.7	3,485.1	—	3,407.0	2,979.0	—
2019/12	17,379.5	7,575.9	5,068.4	—	2,045.0	2,690.2	—
2020/12	14,427.2	5,935.6	3,337.8	—	1,871.9	3,282.0	—
2020/07	16,909.2	6,573.4	4,886.7	—	1,829.9	3,619.2	—
2020/08	15,916.2	5,859.8	4,470.4	—	2,050.6	3,535.4	—
2020/09	15,397.7	5,699.7	4,127.9	—	2,017.0	3,553.0	—
2020/10	15,047.7	5,245.0	4,287.2	—	2,021.6	3,493.9	—
2020/11	14,750.0	5,588.2	3,751.4	—	1,969.5	3,440.9	—
2020/12	14,427.2	5,935.6	3,337.8	—	1,871.9	3,282.0	—

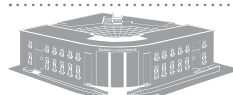
	Në euro / In EUR (17+ 18+ 19+ 20+ 21+ 22)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për celje biznesi / Loans for starting up a business	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments	Hua në monedha të tjera / In other currencies
	16	17	18	19	20	21	22	23
2018/12	170,004.9	36,575.2	28,513.2	2,328.4	50,075.6	52,335.9	176.5	0.2
2019/12	177,264.4	38,571.9	27,956.1	2,573.0	49,930.2	57,754.1	479.2	0.2
2020/12	193,953.6	39,183.8	29,016.9	1,692.5	52,335.0	71,308.9	416.6	0.2
2020/07	185,906.1	39,913.0	27,931.1	2,697.6	52,036.2	62,890.3	437.9	0.2
2020/08	184,986.6	40,012.5	27,371.1	1,709.8	51,172.9	64,288.6	431.8	0.2
2020/09	184,375.7	40,318.5	27,332.1	1,711.1	51,510.7	63,080.0	423.3	0.2
2020/10	182,028.3	38,783.1	26,446.5	1,691.1	51,847.7	62,838.3	421.6	0.2
2020/11	182,902.7	38,528.0	26,242.8	1,689.9	51,337.1	64,686.6	418.3	0.2
2020/12	193,953.6	39,183.8	29,016.9	1,692.5	52,335.0	71,308.9	416.6	0.2

Burimi: Banka e Shqipërisë.

* Të dhënat e huave përfshijnë interesat e përlogaritur.

Source: Bank of Albania.

* Data on loans include accrued interests.



**1-13B HUATË E KORPORATAVE
JOFINANCIARE PUBLIKE SIPAS QËLLIMIT TË
PËRDORIMIT DHE MONEDHËS***
Në milionë lekë, fund periudhe

**PUBLIC NON-FINANCIAL
CORPORATIONS LOANS BY PURPOSE
AND CURRENCY* 1-13B**
In millions ALL, end of period

	Huatë për korporatat jofinanciare publike / Public non-financial corporations loans (2+ 8+ 14+ 20)	Në lekë / In ALL (3+ 4+ 5+ 6+ 7)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Blerje pajisjesh / Machineries and appli- ances	Pasuri të paluajtshme / Real estate	Hua të tjera / Other loans
	1	2	3	4	5	6	7
2018/12	20,270.1	16,594.2	14,521.4	236.9	694.9	1,141.1	–
2019/12	24,182.4	18,489.8	16,567.6	182.6	743.0	996.6	–
2020/12	15,150.8	11,819.7	10,431.7	–	534.8	853.2	–
2020/07	18,603.2	14,043.1	12,370.1	139.7	620.2	913.1	–
2020/08	18,232.3	13,740.7	12,123.8	111.5	604.2	901.2	–
2020/09	18,176.3	13,733.1	12,123.7	133.3	587.2	889.0	–
2020/10	14,043.9	11,278.0	9,830.3	0.7	569.8	877.3	–
2020/11	13,950.6	11,006.6	9,587.0	0.7	553.7	865.2	–
2020/12	15,150.8	11,819.7	10,431.7	–	534.8	853.2	–

	Në dollarë amerikanë / In USD (9+ 10+ 11+ 12+ 13)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Blerje pajisjesh / Machineries and appli- ances	Pasuri të palu- ajtshme / Real estate	Hua të tjera / Other loans
	8	9	10	11	12	13
2018/12	0.1	0.1	–	–	–	–
2019/12	0.0	0.0	–	–	–	–
2020/12	0.0	0.0	–	–	–	–
2020/07	0.0	0.0	–	–	–	–
2020/08	0.0	0.0	–	–	–	–
2020/09	0.0	0.0	–	–	–	–
2020/10	0.0	0.0	–	–	–	–
2020/11	0.0	0.0	–	–	–	–
2020/12	0.0	0.0	–	–	–	–

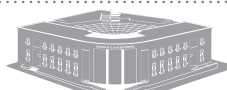
	Në euro / In EUR (15+ 16+ 17+ 18+ 19)	Overdraft / Overdraft	Kapital qarkul- lues / Working capital	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua të tjera / Other loans	Hua në monedha të tjera / In other currencies
	14	15	16	17	18	19	20
2018/12	3,675.9	3,675.9	–	–	–	–	–
2019/12	5,692.6	5,692.6	–	–	–	–	–
2020/12	3,331.2	3,331.2	–	–	–	–	–
2020/07	4,560.1	4,560.1	–	–	–	–	–
2020/08	4,491.6	4,491.6	–	–	–	–	–
2020/09	4,443.2	4,443.2	–	–	–	–	–
2020/10	2,765.8	2,765.8	–	–	–	–	–
2020/11	2,943.9	2,943.9	–	–	–	–	–
2020/12	3,331.2	3,331.2	–	–	–	–	–

Burimi: Banka e Shqipërisë.

* Të dhënat e huave përfshijnë interesat e përlogaritur.

Source: Bank of Albania.

* Data on loans include accrued interests.



**1-14 HUATË E INDIVIDËVE DHE
INSTITUCIONEVE JO ME QËLLIM FITIMI QË
U SHËRBEJNË INDIVIDËVE SIPAS QËLLIMIT TË
PËRDORIMIT DHE MONEDHËS***
Në milionë lekë, fund periudhe

**HOUSEHOLDS & NON-PROFIT
INSTITUTIONS SERVING HOUSEHOLDS
LOANS BY PURPOSE AND CURRENCY***
1-14
In millions ALL, end of period

	Huatë për Individët dhe Institucionet jo me qëllim fitimi që u shërbejnë individëve / Households + Non-profit insti- tutions serving households loans (2+ 9+ 16+ 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 qël- lime të tjera / Loans for other purposes	nga të cilat: për të vetëpunësuarit / of which: sole proprietorships; partnerships without legal status
	1	2	3	4	5	6	7	8
2018/12	175,095.1	109,906.1	6,742.5	27,031.9	13,129.5	56,105.2	6,897.0	2,403.7
2019/12	186,510.2	120,310.0	6,511.6	29,342.1	14,292.2	62,706.7	7,457.3	1,554.3
2020/12	199,142.1	128,454.0	6,168.8	28,817.6	16,252.3	69,623.7	7,591.7	1,444.6
2020/07	191,836.1	123,030.2	6,308.6	28,650.0	14,849.1	65,423.1	7,799.5	1,462.5
2020/08	193,436.3	124,048.9	6,483.2	28,612.2	15,023.6	66,116.8	7,813.1	1,465.6
2020/09	195,279.9	125,542.1	6,505.2	28,764.8	15,327.4	67,055.7	7,889.0	1,503.1
2020/10	197,440.6	127,459.9	6,534.0	28,854.0	15,594.5	68,358.3	8,119.2	1,545.8
2020/11	198,538.5	127,544.6	6,514.0	28,839.5	15,819.1	68,697.6	7,674.4	1,493.6
2020/12	199,142.1	128,454.0	6,168.8	28,817.6	16,252.3	69,623.7	7,591.7	1,444.6

	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 vetëpunësuarit / of which: sole proprietorships; partnerships without legal status
	9	10	11	12	13	14	15
2018/12	484.7	47.7	50.2	18.3	317.2	51.4	32.4
2019/12	471.8	113.2	47.3	25.6	239.2	46.5	—
2020/12	425.6	20.4	36.2	21.9	313.5	33.5	—
2020/07	313.1	22.4	42.9	24.2	181.3	42.3	—
2020/08	303.0	20.7	41.6	25.2	174.0	41.4	—
2020/09	305.4	26.7	41.3	25.5	175.1	36.7	—
2020/10	463.0	26.4	41.9	23.7	334.8	36.3	—
2020/11	447.9	23.6	40.3	22.9	326.0	35.0	—
2020/12	425.6	20.4	36.2	21.9	313.5	33.5	—

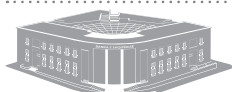
	Në euro / In EUR (17+ 18+ 19+ 20+ 21)	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Nondurable goods	Mallra të qëndrueshëm / Durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qël- lime të tjera / Loans for other purposes	nga të cilat: për të vetëpunësuarit / of which: sole proprietorships; partnerships without legal status	Hua në monedha të tjera / In other currencies
	16	17	18	19	20	21	22	23
2018/12	64,533.3	1,032.5	1,749.0	4,464.9	52,867.4	4,419.5	649.0	171.0
2019/12	65,580.0	913.3	1,862.4	4,472.1	53,703.4	4,628.9	523.6	148.5
2020/12	70,134.6	1,243.0	1,894.2	4,975.3	57,312.4	4,709.7	373.0	127.9
2020/07	68,349.7	985.6	1,804.3	4,409.0	56,168.8	4,982.1	500.4	143.2
2020/08	68,942.9	998.2	1,829.1	4,364.2	56,813.5	4,937.9	457.3	141.5
2020/09	69,293.5	964.9	1,903.4	4,477.4	57,092.2	4,855.6	404.8	139.0
2020/10	69,383.3	926.5	1,894.8	4,657.2	56,548.3	5,356.4	392.6	134.4
2020/11	70,414.5	1,303.5	1,872.1	4,625.5	57,391.5	5,221.9	385.7	131.5
2020/12	70,134.6	1,243.0	1,894.2	4,975.3	57,312.4	4,709.7	373.0	127.9

Burimi: Banka e Shqipërisë.

* Të dhënat e huave përfshijnë interesat e përlogaritur.

Source: Bank of Albania.

* Data on loans include accrued interests.



1-15 HUATË SIPAS RRETHEVE*

Në milionë lekë, fund periudhe

LOANS BY DISTRICTS* 1-15

In millions ALL, end of period

	Totali i kredisë / Total loans (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10)	Tiranë / Tirana	Durrës / Durrës	Elbasan / Elbasan	Shkodër / Shkodra	Korçë / Korca	Vlorë / Vloja	Fier / Fier	Lezhë / Lezha	Të tjera / Other
	1	2	3	4	5	6	7	8	9	10
2018/IV	531,084.7	388,831.9	39,985.0	13,796.4	10,654.4	8,014.9	11,723.6	10,656.0	5,866.4	41,556.2
2019/IV	567,129.8	424,399.1	37,645.3	12,551.1	10,956.2	8,635.2	12,164.8	10,715.7	6,095.7	43,966.7
2020/IV	603,260.0	448,581.8	43,520.6	13,336.1	11,792.6	8,636.9	13,554.8	10,703.6	6,432.3	46,701.2
2020/I	594,354.5	444,836.1	40,504.3	12,963.0	11,620.1	8,636.1	12,818.0	11,300.2	6,094.4	45,582.4
2020/II	586,400.5	437,345.6	40,516.1	12,878.2	11,503.1	8,621.1	13,011.9	10,989.5	6,142.2	45,392.8
2020/III	589,342.7	439,974.8	39,696.1	13,421.6	11,646.4	8,677.5	13,352.2	10,778.1	6,263.9	45,532.0
2020/IV	603,260.0	448,581.8	43,520.6	13,336.1	11,792.6	8,636.9	13,554.8	10,703.6	6,432.3	46,701.2

Burimi: Banka e Shqipërisë.

* Të dhënat e huasë përfshijnë interesat e përllogaritur.

Source: Bank of Albania.

* Data on loans include accrued interests.



1-16 NORMAT E INTERESIT TË BANKËS SË SHQIPËRISË*
 Në përqindje

BANK OF ALBANIA INTEREST RATES* 1-16
 In percentage

		Depozita njëditore / Overnight deposit		Marrëveshje riblerjeje njëjavore / Weekly repurchase agreement		Kredia njëditore / Overnight credit		Kredia për mbështetje me likuiditet** / Liquidity supporting loan**	
		Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change
		1	2	3	4	5	6	7	8
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	-0.75	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
2020	25/03	0.10	0.00	0.50	-0.50	0.90	-1.00	4.50	-0.50

Burimi: Banka e Shqipërisë.

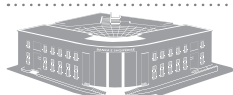
*Tabela paraqet ndryshimin e normave bazë të interesit sipas vendimit të politikës monetare.

** Me hyrjen në fuqi të vendimit nr. 16 datë 13.03.2012, për miratimin e rregullores "Për kredinë për mbështetje me likuiditet", instrumenti "Kredia Lombard" u pasua nga "Kredia për mbështetje me likuiditet".

Source: Bank of Albania.

* The table presents the change of key interest rates according to the monetary policy decisions on interest rates.

** Upon the entry into force of Decision No. 16, dated 13 March 2012, on the approval of the Regulation "On the liquidity supporting loan", the instrument "Lombard loan" followed by the "Liquidity supporting loan".



**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 NON-FINANCIAL
CORPORATIONS, HOUSEHOLDS
AND NPISH BY CURRENCY * 1-17**
In percentage

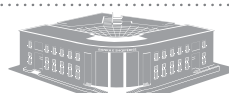
	Në lekë / In ALL						
	Llogari rrjedhëse / Current accounts	Depozita pa afat / Demand deposits	1 muaj / 1 months	3 muaj / 3 months	6 muaj / 6 months	12 muaj / 12 months	24 muaj / 24 months
2018	0.09	0.26	0.76	0.28	0.59	0.73	1.55
2019	0.10	0.24	0.66	0.23	0.42	0.49	1.13
2020	0.13	0.23	0.49	0.21	0.35	0.41	0.97
2020/07	0.14	0.26	0.43	0.30	0.30	0.42	0.88
2020/08	0.12	0.22	0.42	0.17	0.21	0.30	0.97
2020/09	0.13	0.21	0.43	0.16	0.36	0.43	0.99
2020/10	0.15	0.23	0.42	0.13	0.28	0.40	1.10
2020/11	0.13	0.21	0.43	0.24	0.30	0.40	0.89
2020/12	0.12	0.24	0.42	0.15	0.34	0.54	0.93
	Në dollarë amerikanë / In USD						
	Llogari rrjedhëse / Current accounts	Depozita pa afat / Demand deposits	1 muaj / 1 months	3 muaj / 3 months	6 muaj / 6 months	12 muaj / 12 months	24 muaj / 24 months
2018	0.01	0.15	0.44	0.18	0.31	0.54	0.86
2019	0.01	0.14	0.31	0.22	0.35	0.76	1.47
2020	0.01	0.16	0.16	0.18	0.33	0.49	0.44
2020/07	0.01	0.16	0.13	0.19	0.18	0.36	0.47
2020/08	0.01	0.14	0.10	0.12	0.23	0.45	0.35
2020/09	0.01	0.16	0.18	0.24	0.40	0.54	0.53
2020/10	0.01	0.17	0.17	0.20	0.23	0.48	1.04
2020/11	0.01	0.17	0.17	0.11	0.13	0.80	0.81
2020/12	0.01	0.14	0.20	0.16	0.43	0.47	0.80
	Në Euro / In EUR						
	Llogari rrjedhëse / Current accounts	Depozita pa afat / Demand deposits	1 muaj / 1 months	3 muaj / 3 months	6 muaj / 6 months	12 muaj / 12 months	24 muaj / 24 months
2018	0.02	0.06	0.06	0.05	0.07	0.12	0.36
2019	0.01	0.05	0.06	0.05	0.05	0.09	0.24
2020	0.02	0.07	0.06	0.05	0.06	0.13	0.22
2020/07	0.01	0.07	0.05	0.12	0.03	0.12	0.23
2020/08	0.01	0.06	0.04	0.06	0.03	0.08	0.22
2020/09	0.02	0.06	0.06	0.05	0.05	0.13	0.36
2020/10	0.03	0.08	0.03	0.04	0.10	0.09	0.37
2020/11	0.02	0.06	0.06	0.07	0.05	0.17	0.25
2020/12	0.02	0.06	0.07	0.06	0.05	0.14	0.33

Burimi: Banka e Shqipërisë.

* Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

Source: Bank of Albania.

* 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 KËRPORTAVE JO-FINANCIARE, INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE*
Në përqindje

INTEREST RATES ON NEW LOANS OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY* 1-18
In percentage

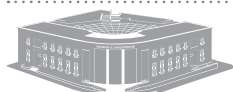
	Në lekë / In ALL				
	Deri në 6 muaj / Up to 6 months	6 muaj - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years
2018	8.12	5.66	7.45	7.28	5.66
2019	7.07	6.25	6.82	7.12	5.59
2020	6.28	6.05	5.32	6.22	5.41
2020/07	5.81	6.36	5.01	6.39	5.11
2020/08	5.26	5.63	5.45	5.96	5.32
2020/09	6.10	6.03	5.89	6.23	5.65
2020/10	5.36	5.41	5.83	6.83	5.52
2020/11	5.99	5.37	6.65	7.06	5.40
2020/12	6.48	6.36	5.92	6.07	5.33
Në dollarë amerikanë / In USD					
2018	5.51	5.30	5.03	5.56	4.42
2019	4.14	4.82	4.46	4.72	6.25
2020	4.13	3.87	4.95	6.92	5.67
2020/07	3.63	4.65	—	—	4.25
2020/08	3.91	4.22	7.58	6.99	3.52
2020/09	3.56	6.21	—	5.00	—
2020/10	3.60	2.76	—	—	0.50
2020/11	—	3.48	15.80	—	—
2020/12	3.40	3.65	—	—	4.00
Në Euro / In EUR					
2018	3.96	4.01	4.36	4.58	4.09
2019	4.76	4.02	4.30	4.50	3.92
2020	4.20	3.90	3.79	4.24	4.19
2020/07	4.30	3.79	3.91	3.68	3.87
2020/08	3.91	4.31	3.20	4.36	3.91
2020/09	3.51	3.86	3.69	3.70	3.72
2020/10	4.10	3.36	4.07	4.43	3.41
2020/11	5.04	4.43	4.25	4.37	3.81
2020/12	4.81	3.84	3.44	3.45	5.07

Burimi: Banka e Shqipërisë.

* NORMAT VJETORE PËRFAQËSOJNË NORMAT MESATARE TË PONDERUARA VJETORE, NDËRSA NORMAT MUJORE PËRFAQËSOJNË NORMAT MESATARE TË PONDERUARA MUJORE.

Source: Bank of Albania.

* Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.



**1-18A NORMAT E INTERESIT PËR HUATË
E REJA TË KORPORATAVE JOFINANCIARE
PRIVATE SIPAS QËLLIMIT TË PËRDORIMIT
DHE MONEDHËS***
Në përqindje

**INTEREST RATES ON NEW LOANS
OF PRIVATE NON-FINANCIAL
CORPORATIONS BY PURPOSE AND
CURRENCY* 1-18A**
In percentage

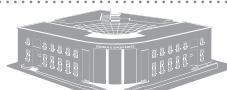
	Norma e interesit e huave të reja për korporata joфинанциаре private / Average monthly interest rates of new loans to private non-financial corporations	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për çelje biznesi / Loans for starting up a business	Blerje pajisjesh / Machineries and appli- ances	Pasuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments
	Në lekë / In ALL						
2018	6.71	7.21	6.14	6.99	5.70	4.95	–
2019	6.26	6.48	6.37	6.14	6.33	4.88	–
2020	5.48	5.69	5.34	5.69	5.44	5.09	–
2020/07	5.14	5.76	4.35	–	5.45	5.41	–
2020/08	5.17	5.11	4.91	7.00	5.71	5.11	–
2020/09	5.53	5.41	5.50	7.00	5.75	4.91	–
2020/10	5.30	5.11	5.00	9.50	6.50	4.95	–
2020/11	5.28	4.98	5.33	7.00	5.95	5.23	–
2020/12	5.89	5.55	6.50	6.00	5.50	5.09	–
	Në dollarë amerikanë / In USD						
2018	5.38	5.37	5.79	–	4.76	5.64	–
2019	4.31	4.30	4.70	–	4.32	4.16	–
2020	4.67	4.00	4.61	–	3.65	6.97	–
2020/07	3.80	3.68	4.95	–	4.25	–	–
2020/08	5.72	3.95	–	–	3.54	7.00	–
2020/09	3.72	3.70	–	–	–	5.00	–
2020/10	3.00	2.96	4.50	–	–	–	–
2020/11	3.47	3.47	4.00	–	–	–	–
2020/12	3.68	3.65	–	–	4.00	–	–
	Në Euro / In EUR						
2018	4.20	3.90	4.66	5.04	4.59	4.10	4.93
2019	4.18	4.21	4.06	5.00	4.30	4.06	5.00
2020	4.27	4.03	4.02	4.98	4.18	4.75	5.00
2020/07	4.05	3.94	4.17	–	3.86	4.35	–
2020/08	4.08	4.07	3.83	–	4.25	4.27	–
2020/09	3.82	3.81	3.87	–	3.53	4.29	–
2020/10	4.30	4.29	3.68	–	4.73	4.25	–
2020/11	4.32	4.36	4.47	–	3.97	4.39	–
2020/12	4.73	4.10	3.50	–	4.42	5.57	–

Burimi: Banka e Shqipërisë.

* NORMAT vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

Source: Bank of Albania.

* 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

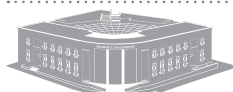
	Norma e interesit e huave të reja për individët dhe institucionet jo me qëllim fitimi që u shërbejnë individëve / Average monthly interest rates of new loans to households and NPISH	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Consuming of non durable goods	Mallra të qëndrueshëm / Consuming of durable 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					
2018	6.96	11.80	7.69	7.73	3.70	9.02	8.68
2019	6.66	11.51	7.74	7.60	3.47	8.22	8.34
2020	6.54	11.35	7.59	7.65	3.66	7.72	7.33
2020/07	6.64	11.90	7.95	7.23	3.71	8.58	6.80
2020/08	6.56	12.11	7.90	8.09	3.77	7.10	6.50
2020/09	6.47	10.35	7.61	7.51	3.78	8.05	6.61
2020/10	6.64	11.64	7.76	7.85	3.41	7.27	6.64
2020/11	6.43	11.81	7.94	7.91	3.52	7.99	7.54
2020/12	6.37	11.22	7.54	8.07	3.73	7.08	6.76
		Në dollarë amerikanë / In USD					
2018	6.05	6.62	3.29	2.75	4.78	–	–
2019	6.54	7.01	3.39	3.19	–	6.43	–
2020	3.66	7.23	3.54	4.59	0.50	4.00	–
2020/07	9.71	14.87	–	2.50	–	–	–
2020/08	6.92	15.29	–	6.50	–	4.00	–
2020/09	15.34	15.34	–	–	–	–	–
2020/10	0.57	13.80	7.45	–	0.50	–	–
2020/11	15.54	15.54	–	–	–	–	–
2020/12	4.92	9.81	3.40	–	–	–	–
		Në Euro / In EUR					
2018	3.78	9.28	2.84	4.21	3.10	5.43	5.17
2019	3.79	8.49	3.10	4.21	3.23	5.13	2.82
2020	3.56	8.50	3.27	4.14	3.09	4.75	5.79
2020/07	3.40	12.28	2.90	4.16	3.16	3.43	5.50
2020/08	3.34	7.94	3.96	4.42	2.83	5.92	6.00
2020/09	3.42	7.34	3.41	3.37	3.06	5.19	6.00
2020/10	3.39	6.52	2.70	3.49	2.76	4.36	–
2020/11	3.43	8.39	2.94	3.90	3.08	5.61	–
2020/12	3.57	12.15	4.80	5.15	3.05	4.98	5.50

Burimi: Banka e Shqipërisë.

* Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

Source: Bank of Albania.

* 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 AFATIT **MATURITY BREAKDOWN OF TREASURY BILLS YIELDS 1-19**
Në përqindje **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
2015/12	–	2.46	2.40
2016/12	–	2.00	2.92
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
2019/01	–	–	1.33
2019/02	–	1.07	1.25
2019/03	–	–	1.14
2019/04	–	0.85	1.11
2019/05	–	0.96	1.29
2019/06	–	–	1.57
2019/07	–	–	1.81
2019/08	–	1.48	2.05
2019/09	–	–	2.26
2019/10	–	–	2.07
2019/11	–	–	1.85
2019/12	–	–	1.69
2020/01	–	1.50	1.77
2020/02	1.29	–	1.87
2020/03	–	–	1.98
2020/04	1.30	–	2.05
2020/05	1.54	1.81	2.16
2020/06	1.20	–	1.98
2020/07	–	–	1.74
2020/08	0.70	–	1.66
2020/09	–	1.30	1.71
2020/10	–	–	1.73
2020/11	0.54	1.35	1.77
2020/12	–	–	1.77

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



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				
2018	126,038	632,923	9,141,173	108,682
2019	125,766	705,120	10,453,299	121,178
2020	127,500	789,885	9,905,395	128,162
Flukse mujore / Monthly flows				
2020/07	11,096	71,406	917,161	11,592
2020/08	10,448	64,326	831,371	10,430
2020/09	10,095	69,017	797,199	11,255
2020/10	12,295	73,506	887,073	11,768
2020/11	9,437	70,251	790,666	11,093
2020/12	14,586	101,799	919,661	16,900

1-21 SHPËRNDARJA RAJONALE E
TERMINALEVE TË BANKAVE ATM & POS *
Fund periudhe

ATM & 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
2018	723	390	83	76	46	38	90
2019	707	442	68	57	38	30	72
2020	738	503	59	40	42	27	67
Shpërndarja rajonale e terminaleve POS / Number of POS terminals by regions							
2018	8,726	7,259	373	282	218	278	316
2019	11,195	9,449	459	323	217	377	370
2020	12,147	10,748	335	185	288	168	423

1-22 NUMRI I LLOGARIVE TË KLIENTËVE
NË BANKA*
Fund periudhe

NUMBER OF CUSTOMERS ACCOUNTS
WITH BANKS* 1-22
End of period

	Llogaritë totale / Total accounts (2+5)						
	Llogari rezidentë / Resident accounts	Individë / Individuals (3+4)	Kompani / Companies	Llogari jo rezidentë / Non resident accounts (6+7)	Individë / Individuals	Kompani / Companies	
	1	2	3	4	5	6	7
2018	3,115,421	3,081,286	2,892,461	188,825	34,135	32,377	1,758
2019	2,984,912	2,947,647	2,722,451	225,196	37,265	35,557	1,708
2020	2,956,564	2,917,045	2,695,903	221,142	39,519	37,936	1,583

Burimi: Banka e Shqipërisë.

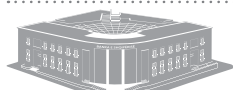
* Raportimet e bankave sipas "Metodologjisë për raportimin e instrumenteve të pagesave(2008)" e rishikuar në Janar të vitit 2014.

* 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 JASHTËM
2-1 BILANCI I PAGESAVE
Në milionë euro

EXTERNAL SECTOR 2
BALANCE OF PAYMENTS 2-1
In millions EUR

	Llogaria korrente / Current account (2+5+8+11)	Mallrat / Goods (3-4)		Shërbimet / Services (6-7)		Të ardhura primare / Primary income (9-10)		Të ardhura dytësore / Secondary income (12-13)		Kredi / Credit		Debi / Debit		Llogaria kapitale / Capital account
		Kredi / Credit	Debi / Debit	Kredi / Credit	Debi / Debit	Kredi / Credit	Debi / Debit	Kredi / Credit	Debi / Debit	Kredi / Credit	Debi / Debit	Kredi / Credit	Debi / Debit	
2017	-866.0	2	3	4	5	6	7	8	9	10	11	12	13	14
2018	-866.4	-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
2019	-1088.7	-2871.1	986.1	3857.2	1111.0	3072.8	1961.8	-13.9	392.8	406.6	907.5	1005.4	97.9	104.0
2019/IV	-345.8	-3143.8	906.5	4050.3	1263.9	3404.6	2140.7	-180.1	420.2	600.3	971.3	1105.5	134.2	76.1
2020/I	-233.6	-843.1	228.9	1072.0	273.8	790.2	516.4	-49.6	108.5	158.1	273.1	310.4	37.3	26.2
2020/II	-378.6	-652.9	199.6	852.5	268.8	647.9	379.1	-53.6	73.9	127.5	204.2	244.1	39.9	25.4
2020/III	-193.4	-655.5	170.8	826.4	138.7	317.6	178.9	-63.5	77.2	140.7	201.7	241.9	40.2	26.1
		-794.4	189.3	983.6	346.9	664.2	317.3	-30.4	96.4	126.8	284.4	331.9	47.4	36.8

	Llogaria financiare / Financial account (16+19+22-28)	Investimet direkte / Direct investment (17-18)		Detyrime / Liabilities		Investime portofoli / Portfolio investment (20-21)		Mjete / Assets		Detyrime / Liabilities**		Gabime dhe harrësime / Net errors and omissions		Mjete e rezervës dhe të lidhura me to / Reserve assets and related items (27-28)		Kredi dhe huatë nga FMN / Credit and loans from the IMF
		Mjete / Assets	Detyrime / Liabilities	Mjete / Assets	Detyrime / Liabilities	Mjete / Assets	Detyrime / Liabilities	Mjete / Assets	Detyrime / Liabilities	Mjete / Assets	Detyrime / Liabilities	Mjete / Assets	Detyrime / Liabilities	Mjete e rezervës dhe të lidhura me to / Reserve assets and related items (27-28)	Mjete e rezervës dhe të lidhura me to / Reserve assets	
2017	-1115.3	15	16	17	18	19	20	21	22	23	24	25	26	27	28	
2018	-1142.6	-993.8	-94.0	899.9	899.9	-100.0	-99.4	0.6	49.0	239.4	190.4	-186.3	114.9	185.4	70.5	
2019	-827.1	-1022.2	-2.6	1019.6	1019.6	-76.1	176.1	252.2	-50.4	27.4	77.8	-8.7	377.6	371.5	-6.1	
2019/IV	-77.5	-1036.3	36.0	1072.3	1072.3	140.6	73.7	-66.9	50.9	14.3	-36.6	107.9	-59.9	-77.7	-17.8	
2020 / I	-215.2	-248.5	23.5	272.0	272.0	129.8	97.6	-32.2	33.3	39.2	5.8	169.1	-65.2	-73.0	-7.9	
2020 / II	-1132.9	-220.4	11.8	232.2	232.2	20.1	8.2	-12.0	-19.8	-2.7	17.0	-58.1	-46.2	-51.1	-4.9	
2020 / III	-92.4	-223.3	-1.4	221.9	221.9	-260.5	330.9	591.4	-482.2	-486.9	-4.7	67.7	681.2	848.2	166.9	
		-218.1	19.3	237.4	237.4	10.6	-8.0	-18.6	104.6	99.4	-5.2	64.4	10.7	0.3	-10.4	

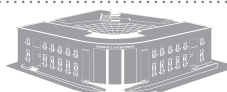
Burimi: Banka e Shqipërisë.

* Në kategorinë 22 përfshihen edhe derivatit financiarë.

** Nuk përfshihen zëri 28 "Kredi dhe huatë nga FMN"

1) Janë rishikuar të dhënat e gjashtëmuajt të parë 2020.

Source: Bank of Albania.
 * Other investment (22) include financial derivatives.
 ** The item 28 "Credit and Loans from IMF" is excluded.
 1) Data are revised for the first half year of 2020.



2-2 KURSET E KËMBIMIT TË LEKUT KUNDREJT MONEDHAVE KRYESORE

Lekë për njësi të monedhës së huaj

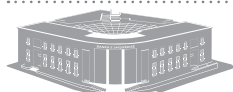
EXCHANGE RATE 2-2

ALL per unit of foreign currencies

Monedhat kryesore / Main foreign currencies	Mesatarja e periudhës / Average of period						Fundi i periudhës / End of period					
	Dollari amerikan / USD	EURO / EUR	Stërlina Angleze / GBP	Franga Zvicrone / CHF	Jeni Japonëz (per 100) / JPY	Dollari Kanadez / CAD	Dollari amerikan / USD	EURO / EUR	Stërlina Angleze / GBP	Franga Zvicrone / CHF	Jeni Japonëz (per 100) / JPY	Dollari Kanadez / CAD
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
2019	109.85	123.01	140.25	110.57	100.79	82.82	108.64	121.77	143.00	112.30	100.09	83.38
2020	108.65	123.77	139.34	115.71	101.77	81.02	100.84	123.70	137.93	114.46	97.88	79.14
2020/07	108.51	124.02	137.10	115.96	101.56	80.31	105.61	123.95	137.31	115.47	100.58	78.78
2020/08	104.73	123.80	137.56	115.11	98.82	79.15	104.33	124.09	138.82	115.37	98.47	79.84
2020/09	105.21	124.02	136.34	115.04	99.70	79.60	105.99	124.05	135.94	114.77	100.33	79.11
2020/10	105.36	123.98	136.75	115.47	100.18	79.77	106.16	123.93	137.48	115.87	101.67	79.66
2020/11	104.70	123.78	138.20	114.91	100.30	80.04	103.85	123.78	138.47	114.57	99.84	79.94
2020/12	101.59	123.55	136.45	114.30	97.89	79.25	100.84	123.70	137.93	114.46	97.88	79.14

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



EXPORT BY COMMODITY GROUPS* 2-3

In millions ALL

2-3 EKSPORTI SIPAS GRUP MALLRAVE*

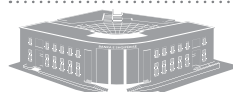
Në milionë lekë

	Gjithsej / Total (2+3+4+5+6+7+8+9+10)	Ushqim, piqe duhan / Food, beverages, tobacco	Mineralë, lëndë djegëse, ener. elektr. / Minerals, fuels, electricity	Produkte kimike dhe plastike / Chemical and plastic products	Lëkurë dhe artikuj prej lëkure / Leather and other leather manufactures	Prodhirme 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
	1	2	3	4	5	6	7	8	9	10
2018	310,435.9	32,333.6	56,397.6	6,190.8	2,727.4	9,627.0	123,741.9	53,193.9	18,002.0	8,221.7
2019	298,791.8	35,374.3	50,273.9	7,653.5	2,444.1	9,592.0	118,201.5	45,384.8	20,892.1	8,975.6
2020	271,955.0	39,050.1	39,915.1	7,409.4	1,811.3	8,642.8	102,344.5	41,809.1	22,396.2	8,576.6
2020/07	24,566.8	3,392.2	3,524.1	659.0	180.2	748.7	9,845.6	3,856.9	1,552.2	807.9
2020/08	19,399.2	2,721.4	2,827.5	756.6	92.2	636.9	7,517.2	2,976.1	1,154.2	717.1
2020/09	25,268.9	2,924.2	3,545.0	713.9	103.0	783.7	9,578.9	4,246.6	2,495.3	878.1
2020/10	26,888.3	4,385.4	3,458.7	721.0	122.0	841.8	9,855.6	4,517.2	2,082.8	903.9
2020/11	27,363.5	3,877.1	4,779.0	612.9	144.7	943.7	9,318.6	4,178.0	2,741.4	768.1
2020/12	23,087.9	3,250.2	3,307.7	587.2	120.4	744.3	7,963.5	4,648.2	1,742.6	723.7

Burimi: INSTAT

* Eksportet janë në vlerën F.O.B.

Source: INSTAT
* Exports are valued in F.O.B.



2-4 IMPORTI SIPAS GRUP MALLRAVE*
Në milionë lekë

IMPORT BY COMMODITY GROUPS* 2-4
In millions ALL

	Gjithësi / Total (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10)	Ushqim, pije duhan / Food, beverages, tobacco	Mineralet, lëndë dëgjëse, energji / Minerals, fuels, electricity	Produkte kimike dhe plastike / Chemical and plastic products	Lëkurë dhe artikuj prej lëkure / Leather and oth- er leather manufactures	Prodime druri dhe letre / Wood manufactures and articles of paper	Tekstile dhe këpucë / Textile and footwear	Materiale ndërtimi dhe metale / Construction materials and metals	Makinë, pajisje dhe pjesë këmbimi / Ma- chines, equipments and spare parts	Të tjera / Others
	1	2	3	4	5	6	7	8	9	10
2018	641,465.5	106,507.7	68,384.8	87,748.2	18,895.9	25,156.2	88,222.4	78,396.3	142,335.3	25,818.7
2019	649,118.4	110,365.2	77,235.3	88,729.4	17,329.5	25,817.8	87,202.9	78,441.4	138,753.1	25,243.7
2020	605,262.0	110,926.7	54,552.0	91,016.4	12,631.1	24,005.7	75,456.8	78,258.6	133,819.8	24,595.0
2020/07	56,767.0	9,590.4	4,221.2	8,315.1	1,192.8	2,110.5	7,386.5	7,550.8	13,964.9	2,434.8
2020/08	48,207.1	9,485.9	4,650.8	7,334.4	816.9	2,164.2	5,249.9	6,011.3	10,339.8	2,153.9
2020/09	52,442.9	8,964.5	4,954.1	7,455.4	1,104.4	2,260.6	6,984.7	6,722.6	11,882.3	2,114.3
2020/10	59,381.9	9,657.2	4,841.7	8,532.2	1,337.8	2,194.0	8,340.5	6,955.7	15,119.8	2,403.1
2020/11	55,754.7	9,435.4	4,430.6	7,985.5	1,147.8	2,110.9	7,711.1	6,901.0	13,334.6	2,697.6
2020/12	61,369.0	9,848.3	6,616.5	9,456.4	960.8	2,351.7	7,150.4	7,168.1	14,808.4	3,008.4

Burimi: INSTAT.
* Importet janë në vlerën C.I.F.
Source: INSTAT.
* Imports are valued in C.I.F.

2-5 BORXHI I JASHTËM BRUTO

Në milionë euro

GROSS EXTERNAL DEBT 2-5

In millions Eur

	Borxhi i jashtëm bruto / Gross external debt (2+ 3+ 6+ 11+ 14)	Qeveria e përgjithshme / General Government (3+4)		Banka Qën- dore / Central Bank (6+ 7)		Ataishkurtër / Shortterm		Ataigjatë / Longterm		**Korporata depozituese, me përjashtim të Bankës Qendrore / ** Depositing corporations except Central Bank (9+ 10)		Ataishkurtër / Shortterm		Ataigjatë / Longterm		Sektore të tjerë / Other sectors (12+ 13)		Ataishkurtër / Shortterm		Ataigjatë / Longterm		Investimi Direkt: Huatë Ndër- kompani / Di- rect Investment: Intercompany Lending
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18			
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							
2018	8,353.2	3,829.0	-	-	3,829.0	56.8	-	56.8	1,427.0	190.4	1,236.6	1,345.9	371.2	974.7	1,694.5							
2019	8,246.0	3,756.4	-	-	3,756.4	57.4	-	57.4	1,421.8	174.8	1,247.0	1,341.9	366.9	975.0	1,668.4							
2019/IV	8,246.0	3,756.4	-	-	3,756.4	57.4	-	57.4	1,421.8	174.8	1,247.0	1,341.9	366.9	975.0	1,668.4							
2020/I	8,197.8	3,764.9	-	-	3,764.9	57.9	-	57.9	1,423.8	181.6	1,242.2	1,314.2	355.7	958.5	1,637.0							
2020/II	8,930.7	4,476.2	-	-	4,476.2	57.2	-	57.2	1,410.8	187.0	1,223.7	1,359.6	368.4	991.2	1,627.0							
2020/III	8,829.1	4,391.0	-	-	4,391.0	55.9	-	55.9	1,384.9	177.0	1,207.9	1,379.1	361.8	1,017.3	1,618.3							

Burimi: Banka e Shqipërisë.

Për detaje referohuni tek "Shprehjet për ndryshimet në statistikat e sektorit të jashtëm sipas BPM6 (Qeshor 2014)".

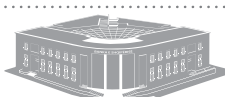
* Janë rishikuar të dhënat për vitin 2017.

** Është bërë një riklasifikim në maturitetin e instrumentit "Monedha dhe depozita" të sektorit Korporata depozituese me përjashtim të Bankës Qendrore, nga T4 2018 - T3 2020 si pasojë e informacionit shtesë mbi depozitat e emigrantëve.

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.

** There is a reclassification in the maturity of the instrument "Currency and deposits" of the sector Depositing corporations, except Central Bank, from Q4 2018 - Q3 2020 due to additional info on emigrant deposits.

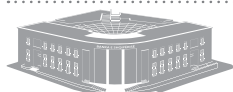


3 SEKTORI FISKAL
3-1 TREGUESIT FISKALË SIPAS BUXHETIT TË KONSOLIDUAR
Në milionë lekë, fund periudhë, të dhëna progresive

	Totali i të ardhurave / Total revenue (2+3+4)				Totali i shpenzimeve / Total expenditure (5+7+8)				Deficiti / Cash balance		Financimi i brendshëm / Domestic financing		Financimi i huaj / Foreign financing	
	Të ardhura nga ndihmat / Grants	Të ardhura tatimore / Tax revenue	Të ardhura jo tatimore / Non tax revenue		Shpenzimet korrente / Current expenditures	Shpenzime kapitale / Capital expenditures	Shpenzime të tjera / Other expenditure							
	1	2	3	4	5	6	7	8	9	10	11			
2018	449,909	8,164	419,333	22,412	476,147	397,345	78,434	368	-26,238	-6,866		33,104		
2019	460,349	8,811	426,271	25,267	491,897	416,852	74,993	53	-31,549	40,932		-9,383		
2020	425,905	8,294	398,658	18,953	536,474	421,366	85,275	29,831.8	-110,569	49,426		61,143		
2020/07	233,642	3,073	219,123	11,446	283,075	234,590	35,925	12,560	-49,433	-45,285		94,717		
2020/08	270,993	3,561	254,772	12,660	324,122	269,728	41,782	12,612	-53,129	-40,637		93,766		
2020/09	308,202	4,397	289,234	14,571	367,645	305,932	48,964	12,749	-59,443	-35,057		94,500		
2020/10	347,359	5,409	325,864	16,086	413,544	343,663	57,111	12,770.4	-66,186	-27,227		93,413		
2020/11	382,842	5,519	359,930	17,393	455,687	378,922	63,908	12,857.3	-72,846	11,279		61,567		
2020/12	425,905	8,294	398,658	18,953	536,474	421,366	85,275	29,831.8	-110,569	49,426		61,143		

Burimi: Ministria e Financave dhe Ekonomisë.

Source: Ministry of Finance and Economy.



DOMESTIC DEBT STOCK BY INSTRUMENTS¹ 3-2

In millions ALL, end of period, progressive data

3-2 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE¹

Në milionë lekë, fund periudhë, të dhëna progresive

	Stoku i borxhit të brendshëm / Domestic debt stock (2+ 10)	I. Borxhi i Qendrës Qëndrore Buxhetore / Budgetary Central Government Debt (3+ 4+ 5+ 6+ 7+ 8+ 9)										II. Borxhi i garantuar / Publicly guaranteed debt 10	(i) Garantitë brendshme / Domestic Guarantees ³⁾	(ii) Garantitë për situatën e pandemisë (GS1+GS2) / (ii) Guarantees for the pandemic situation (GS1+GS2)		
		1	2	3	4	5	6	7	8	9	Obligacione dy vjeçare / 2 years Note				Obligacione tre vjeçare / 3 years Note	Obligacione pesë vjeçare / 5 years Note
2017	577,056		546,939	195,047	95,474	24,673	103,120	71,669	56,956	–	30,117	30,117	–			12
2018	580,310		565,093	194,545	100,751	18,679	101,266	81,788	68,064	–	15,218	15,218	–			–
2019	597,290		582,136	193,739	86,791	26,201	107,569	88,306	79,530	–	15,154	15,154	–			–
2019/IV	597,290		582,136	193,739	86,791	26,201	107,569	88,306	79,530	–	15,154	15,154	–			–
2020/I	608,464		592,968	197,489	86,212	30,458	108,849	86,430	83,529	–	15,496	15,496	–			–
2020/II	638,558		625,401	206,357	96,146	33,908	109,787	86,430	86,529	6,243	13,157	13,157	–			–
2020/III	643,784		626,572	199,121	96,490	36,908	112,650	85,130	90,029	6,243	17,212	9,117	–			8,095

Burimi: Ministria e Financave dhe Ekonomisë.

1) Borxhi i brendshëm i Qendrës Buxhetore përfshin letrat me vlerë të borxhit dhe nuk ka kredi të marra në tregun e brendshëm.

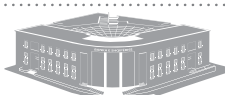
2) Lehtë me vlerë me afat maturimi 6 mujor, emeluar më 22.06.2020.

3) Në stokun e borxhit të garantuar më 30.09.2020, përfshihet edhe stoku i dy garancive shtetërore të emeluara për përballimin e situatës së pandemisë (iii).

Source: Ministry of Finance and Economy. Budgetary Central Government Domestic Debt is comprised only of debt securities and there are no domestically contracted loans. 1)

Security with a 6 months maturity, issued on 22.06.2020. 2)

The stock of two state guarantees issued on 30.09.2020, to cope with the pandemic situation, is included in the Guaranteed debt (ii). 3)



4 SEKTORI REAL

4-1 PRODHIMI I BRENDSHËM BRUTO SIPAS
KLASIFIKIMIT TË AKTIVITETIT EKONOMIK, (METODA
E PRODHIMIT NVE REV 2)
2016 – 2018, me çmime korrente, në milionë lekë

REAL SECTOR 4
GROSS DOMESTIC PRODUCT BY
ECONOMIC ACTIVITIES, (PRODUCTION
METHOD NACE REV 2) 4-1
2016 - 2018 at current prices , In millions ALL

Kodi Code	NVE Rev.2 Nace Rev.2	Aktiviteti ekonomik	2016	2017	2018*	Economic activities
A1	01-03	Bujqësia, pyjet dhe peshkimi	292,287	294,966	301,641	Agriculture, forestry and fishing
A2	05-09	Industria nxjerrëse	36,062	37,242	41,765	Mining and quarrying
A3	10-33	Industria përpunuese	83,702	95,491	100,562	Manufacturing
A4	35	Energjia elektrike, gaz, avulli dhe furnizimi me ajër të kondicionuar	50,536	29,869	44,953	Electricity, gas, steam and air conditioning supply
A5	36-39	Furnizimi me ujë, aktivitetet e trajtimit dhe menaxhimit të mbeturinave, mbetjeve	9,922	11,392	13,816	Water supply; sewerage, waste management and remediation activities
A6	41-43	Ndërtimi	131,089	141,692	147,050	Construction
A7	45-47	Tregtia me shumicë dhe me pakicë; riparimi i automjeteve dhe motorcikleve	159,747	166,786	175,857	Wholesale and retail trade; repair of motor vehicles and motorcycles
A8	49-53	Transporti dhe magazinimi	45,167	49,554	53,478	Transportation and storage
A9	55-56	Akomodimi dhe shërbimi ushqimor	29,524	33,825	38,931	Accommodation and food service activities
A10	58-63	Informacioni dhe komunikacioni	45,336	47,910	46,686	Information and communication
A11	64-66	Aktivitetet financiare dhe të sigurimit	35,776	38,745	37,249	Financial and insurance activities
A12	68	Aktivitetet të pasurive të paluajtshme	85,838	87,238	89,836	Real estate activities
A13	69-75	Aktivitetet profesionale, shkencore dhe teknike	39,065	45,745	52,272	Professional, scientific and technical activities
A14	77-82	Shërbime administrative dhe mbështetëse	46,533	51,886	54,043	Administrative and support service activities
A15	84	Administrim publik dhe mbrojtja; sigurimi social i detyrueshëm	61,936	69,823	71,823	Public administration and defence; compulsory social security
A16	85	Arsimimi	59,230	66,159	67,900	Education
A17	86-88	Shëndetësia dhe aktivitetet të punës sociale	40,410	44,916	48,456	Human health and social work activities
A18	90-93	Arte, argëtim dhe çlodhje	16,696	16,700	17,041	Arts, entertainment and recreation
A19	94-98	Aktivitetet të tjera shërbimi;	22,348	24,550	27,319	Other service activities
		Vlera e Shtuar Bruto me çmime bazë	1,291,203	1,354,490	1,430,677	GVA at basic prices
		Taksa neto mbi produktet	181,276	196,155	205,037	Net taxes on products
		PBB ME ÇMIMET E TREGUT	1,472,479	1,550,645	1,635,715	GDP at market prices

Burimi: INSTAT.

* 2018 Gjysëm-finale.

Source: INSTAT.

* 2018 Semifinal data.



4-2 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM (PËR BANESA)

Indeks

PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX 4-2 (FOR DWELLINGS)

Index

	ICP Indeksi Total (NVE Rev.2) 2010=100 (%) / PPI Total Index (NACE Rev.2) 2010=100 (%)	Indekset e çmimeve të prodhimit / Producer price index				Indeksi i kushtimit në ndërtim (për banesa) / Construction cost index (for dwellings)	
		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, aktivitete të trajtimit dhe menaxhimit të mbeturinave, mbetjeve / Water supply, treatment activities and waste management	Indeksi i kushtimit në ndërtim (për banesa) T1 / 2011=100 (%) / Construction cost index (for dwellings) Q1 / 2011=100 (%)	Ndryshimet vjetore të indeksit të kushtimit në ndërtim (për banesa) / Annual changes of the construction cost index (for dwellings)
	1	2	3	4	5	6	7
2017*	101.9	103.6	105.8	99.0	99.5	103.0	0.70
2018*	103.6	115.4	104.7	100.3	101.7	103.7	0.60
2019*	102.7	111.8	103.6	100.3	102.6	103.9	0.20
2019/IV	102.2	109.4	102.9	100.5	103.7	104.1	-0.05
2020/I	100.9	94.5	103.1	100.4	105.4	104.3	0.48
2020/II	99.0	79.5	103.6	97.4	106.1	104.2	0.35
2020/III	98.2	88.5	102.7	96.3	105.6	103.9	0.20

Burimi: INSTAT.

* Mesatare vjetore.

Source: INSTAT.

* Annual average.



CONSUMER PRICE INDEX 4-3

4-3 INDEKSI I ÇMIMEVE TË KONSUMIT

IQK Totali dhjetor 2015=100 / CPI total December 2015=100	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore (në %) / Year on year consumer price index, main groups (in %)												
	1	2	3	4	5	6	7	8	9	10	11	12	13
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
2019*	106.91	113.40	104.75	99.38	105.20	100.72	99.67	102.24	101.26	106.22	102.14	102.23	103.74
2020*	108.65	117.49	105.39	98.81	106.70	102.19	99.21	98.93	101.47	107.86	102.24	102.93	104.24
2020/07	107.59	114.73	105.50	98.58	106.54	102.22	99.28	97.91	101.72	107.86	102.25	102.87	104.30
2020/08	107.83	115.19	105.60	98.33	106.62	102.69	99.28	98.41	101.74	107.94	102.25	102.89	104.34
2020/09	108.23	116.40	105.28	98.36	106.67	102.28	99.20	98.20	101.71	107.95	102.22	102.94	104.66
2020/10	108.49	117.10	105.19	98.63	106.76	102.47	99.10	97.78	101.73	107.73	102.21	103.20	104.72
2020/11	107.92	115.56	105.47	99.00	106.58	102.42	99.11	97.46	101.79	108.08	102.21	103.17	104.70
2020/12	108.23	116.33	105.56	99.05	106.64	102.59	99.13	97.69	101.72	107.87	102.21	103.17	104.63

IQK Totali / CPI total	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore (në %) / Year on year consumer price index, main groups (in %)												
	1	2	3	4	5	6	7	8	9	10	11	12	13
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
2019	1.15	2.58	0.21	-0.22	0.12	1.23	-0.40	0.15	-0.09	2.25	0.18	0.64	0.24
2020	1.05	2.55	0.88	-0.64	1.16	1.15	-0.23	-4.93	0.50	0.50	-0.04	0.68	0.72
2020/07	1.38	3.09	0.75	-0.19	1.45	1.78	-0.20	-4.81	0.45	1.40	0.17	0.55	0.64
2020/08	1.26	3.06	0.63	-0.20	1.46	1.87	-0.21	-5.85	0.47	0.01	0.16	0.55	0.64
2020/09	1.54	3.75	0.37	-0.72	1.46	1.32	-0.43	-4.59	0.46	-0.38	-0.04	0.55	0.90
2020/10	2.00	4.88	0.33	-0.81	1.49	1.49	-0.41	-4.34	0.49	-0.26	-0.04	0.79	0.85
2020/11	1.61	3.89	0.58	-0.57	1.28	1.24	-0.30	-4.56	0.54	0.90	-0.04	0.68	0.89
2020/12	1.05	2.55	0.88	-0.64	1.16	1.15	-0.23	-4.93	0.50	0.50	-0.04	0.68	0.72

Burimi: INSTAT.

* Indeksi mesatare i çmimeve të konsumit.

** Mesatare aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (llogaritje e B.Sh).

Source: INSTAT.

* Average CPI by main groups.

** Simple arithmetic average of annual inflation of latest twelve months (calculation of B.Sh).



4-4 PUNËSIMI, PAPUNËSIA DHE PAGAT
Në mijë, ose në rast të kundërt, sikurse
përcaktohet

EMPLOYMENT, UNEMPLOYMENT AND
WAGES 4-4
In thousands, unless otherwise indicated

	Të punësuar sipas sektorëve / Employed by sectors			Punëkërkuës të papunë të regjis- truar / Registered jobseekers	Pagat (në Lekë) / Wages (in ALL)	
	Në sektorin shtetëror / In public sector	Në sektorin privat jo-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		5	6
2017*	164	475	457	90	59,813	24,000
2018*	170	508	460	75	61,023	24,000
2019*	173	514	461	71	63,084	26,000
2019/IV	174	516	464	71	63,826	26,000
2020/I	174	509	451	67	63,116	26,000
2020/II	173	486	446	85	63,389	26,000
2020/III	172	515	446	88	64,334	26,000

Burimi: INSTAT.

* Mesatare vjetore përveç pagës minimale (6).

** Të dhëna administrative.

Source: INSTAT.

* Annual average except approved minimum monthly wage (6).

** Administrative data.

