



ANNUAL REPORT

2017

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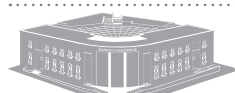


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MISSION OF THE BANK OF ALBANIA

The Bank of Albania is the country's central bank and monetary authority and has the exclusive right to:

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

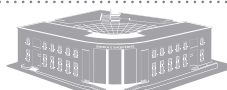
As the issuer of the national currency, the Bank of Albania promotes the smooth operation of payments systems to ensure a safe and fast circulation of the currency in the economy at minimum costs, prevent systemic risk, and safeguard the stability of financial institutions and markets.

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

VISION OF THE BANK OF ALBANIA

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

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





GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA

FOREWORD BY THE GOVERNOR

Dear reader,

In compliance with our legal obligations for transparency and accountability, the Annual Report presents the highlights in the activity of the Bank of Albania during the previous year.

As the monetary authority and the institution responsible for regulating and supervising the banking activity in Albania, the Bank of Albania is responsible for maintaining price stability, supporting financial stability, issuing and circulating the Albanian currency, promoting lending and the development of payments systems, as well as other duties that contribute to the sustainable and long-term development of Albania.

Our work during 2017 materialised in tangible results, across all the aspects of our activity.

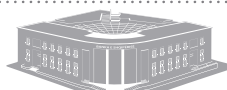
In the economic aspect, our accommodative monetary policy boosted aggregate demand and economic growth, contributed to the growth of employment and the improvement of financial balances of the economic agents, and created the premises for the return of inflation to target over the medium-term.

In the financial aspect, the prudential supervision and pro-active approach to banking regulation contributed to the overall improvement of the soundness parameters of the banking sector and increased its ability for financial intermediation. In particular, the action plan to reduce non-performing loans continued to produce results, almost halving this indicator over three years.

To improve the security of the financial system and in the framework of public interest, the Bank of Albania drafted new regulations, with well-defined procedures to be ready to intervene and restructure banks that may face solvency issues. Also, in view of supporting financial stability, we continued to cooperate with all our domestic and foreign partners to exchange information and enhance the coordination and efficiency of our measures.

To support the economic and financial development of Albania, we continued working for the most efficient operation of the payments systems. This year, efforts were made to improve the regulatory framework of payments services, which increase transparency for the provided services and strengthen the legal basis on consumer protection. The improvement of these aspects helps in expanding the financial inclusion of the population, taking into account that Albania has a low ranking in this aspect.

In addition, the Bank of Albania continued to be an active contributor to fulfilling Albania's EU integration criteria, the standardization and unification of statistics compiled in accordance with international standards, as well as financial education of the public at an early age. The series of "Museum Nights", where academics from different fields deliver lectures related to numismatic and collection issues was a welcomed innovation during this year.



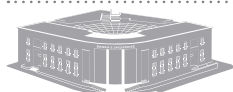
In its communication philosophy, the Bank of Albania aims to be open and promote cooperation, exchange of opinions and supply information. This year registered a number of activities involving both the professionals and the general public. Also, important memorandums of cooperation were signed, among others, with the authorities of Albania to increase the use of the domestic currency in the financial system and in the economy.

At the end of 2017, the Supervisory Council of the Bank of Albania approved the Medium-term Development Strategy of the Bank for the next three years. This strategy sets out our ambitions to develop and prepare in accordance with the best international standards. The document is a concrete expression of our pro-active philosophy towards the challenges of the environment in which the Bank of Albania operates.

Finally, as it has become a tradition, I would like to draw attention and thank the employees and the management of the Bank of Albania; their dedication and professionalism has been and will continue to be the real guarantor of the success of our work.



Gent SEJKO
Governor



HIGHLIGHTS OF 2017

- The Albanian economy grew by 3.9% during the first nine months of 2017, improving the growth rate for the third consecutive year. The expansion of the economic activity was supported by all the components of aggregate demand and helped increasing the output across all the main sectors of the economy.
- The average inflation rate rose to 2.0% during 2017, but it continues to undershoot our target. Although upward, domestic inflationary pressures were still insufficient to offset the low inflation rate in our trading partner countries, the effects of the exchange rate appreciation, and the growing inertia of the price formation process over the last years.
- Based on the trends of economic development and the underlying factors, the Bank of Albania expects economic growth to continue further in the next years and inflation to return to target over the medium-term.
- The monetary policy stance of the Bank of Albania remained accommodative. The policy rate did not change and, at 1.25%, stands at its lowest historical level. Meanwhile, the Bank of Albania increased the liquidity injection and continued the forward guidance on monetary policy. The monetary policy pass-through to the financial markets has been complete, while its transmission to the economic activity and to prices is increasing.
- The fiscal policy was less consolidating compared with the previous year. This policy supported economic growth mainly through the expansion of investments. The budget deficit was assessed at 2.0% of the GDP, while public debt reached 69.6% of GDP in 2017.
- The banking sector activity has been improving: profitability indicators increased, capitalisation and liquidity are at good levels and the non-performing loans ratio declined. The latter is at 13.2% from 18.2% in 2016 and reflects the implementation of the plan of measures for reducing non-performing loans.
- Although credit and market risks remain present, the indicators monitored for the assessment of systemic risks suggest financial stability improved in Albania. The resilience of the financial system to operational risks remains good.
- The regulatory framework on supervision and financial stability continued to be aligned with the Basel Committee principles and EU directives. Among the most significant regulatory changes were those on the Internal Capital Adequacy and Assessment.
- In February, in collaboration with the World Bank, we organised the workshop on "The financial system in Albania - From 2025 scenarios to action today". The aim was to discuss different scenarios and combinations of factors that could affect our economy in the distant future, and their impact in today's decision-making.
- In April, was signed a Memorandum of Cooperation between the Bank of Albania, the Ministry of Finance and Economy, and the Financial Supervision Authority "On increasing the use of the national currency in the Albanian financial system and economy" (the de-euroization strategy). Following this Memorandum, the Bank of Albania prepared a package of measures that included the de-euroization strategy policy document and some regulatory amendments. After a series of consultations with the relevant stakeholders,

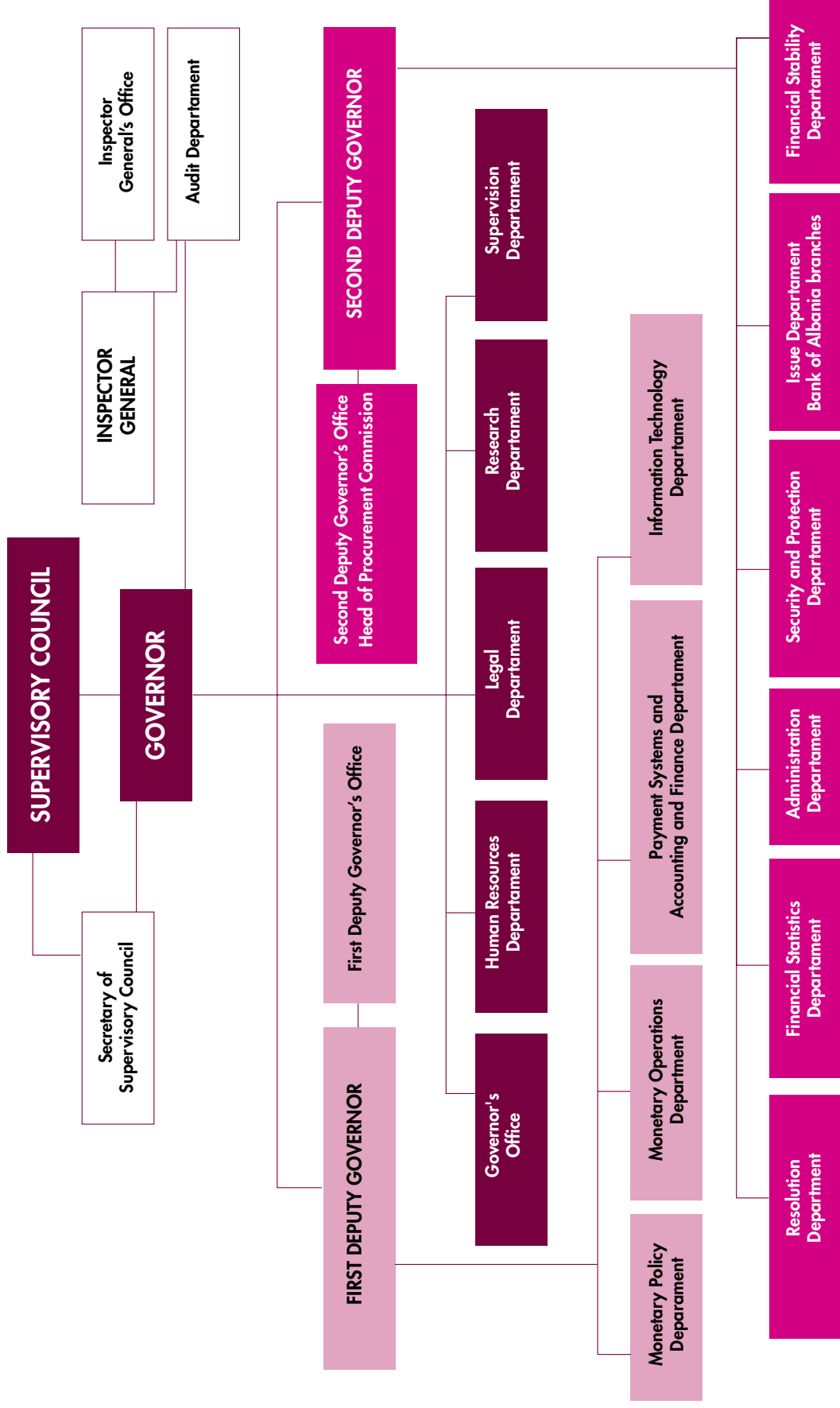


these measures were approved in February 2018.

- In May, the National Payments System Committee, chaired by the Bank of Albania held its regular meeting. The Committee initiated a number of important projects that help to promote the reform of the small-value payments market and the use of electronic payments instruments.
- In May, in cooperation with the International Monetary Fund and the Swiss Government, an international conference was organised on "Negative Euro Area Interest Rates and Spillovers on Western Balkan Central Banks' Policies and Instruments". A panel of experts discussed the impact of non-conventional policies on Western Balkan countries by major central banks.
- In June, the First Conference of the Museum of the Bank of Albania was organised on "Money and Banking in Albania, from Antiquity to Modern Times". The conference brought together experts from various fields, who discussed findings in the area of monetary production and circulation, the economic history and the development of banking in Albania, as well as the educational role of the Museum.
- In July, the Law "On the recovery and resolution of banks in the Republic of Albania" entered into force, establishing the Bank of Albania as the Resolution Authority for banks and branches of foreign banks that exercise their activity in Albania. The Resolution Department was established as the unit responsible for the implementation of this mandate. The Regulation "On the Resolution Fund and the procedures for its management", which defines the establishment of the resolution fund the respective procedures for its contributions and management was approved in October.
- In August, the Macro-prudential Policy Strategy was approved. It is a guideline for macro-prudential measures available to the Bank of Albania to maintain financial stability. These measures aim at preventing risk accumulation and increasing the resilience of financial institutions.
- In November, in collaboration with the South East European Studies Centre at the University of Oxford, the Annual Conference of the Bank of Albania was organised. This year, it focused on the banking market developments and the role of financial markets infrastructure in risk mitigation and financial intermediation.
- In November, the Governor of the Central Bank of the Republic of Turkey, Mr Murat Çetinkaya, visited the Bank of Albania. During the visit, at the Bank of Albania a Memorandum of Cooperation was signed, aimed at enhancing the cooperation between the two central banks.
- In November, the Supervisory Council approved the Medium-Term Development Strategy 2018-2020 of the Bank of Albania. In accordance with the objectives of this strategy, it approved the guiding medium-term budget for 2019-2020.
- In November, the Decision on the transfer of Veneto Bank's shares to the Intesa Sanpaolo Bank was approved. The absorption of Veneto Bank into Intesa Sanpaolo Bank is expected to be completed in 2018, thus reducing the number of banks in the banking sector.
- In December, a Memorandum of Understanding was signed between the Bank of Albania, the Minister of State for the Diaspora and the Ministry of Finance and Economy, which aims to increase the awareness, facilitate dialogue and promote cooperation on issues related to the contribution of remittances by the Albanian emigrants on economic development.



ORGANIZATIONAL STRUCTURE OF THE BANK OF ALBANIA





SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

(left to right)

*Mr. Petraq Milo, Member
Ms. Ela Golemi, Member
Mr. Arben Malaj, Member
Ms. Elisabeta Gjoni, Deputy Chair
Mr. Gent Sejko, Chair
Ms. Natasha Ahmetaj, Member
Mr. Dhori Kule, Member
Ms. Denada Prifti, Member
Mr. Tonin Kola, Member*

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

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

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

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

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

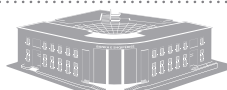
Highlights in the activity of the Council for 2017, include: (i) the establishment of the Resolution Department; (ii) the approval of the Macro-prudential Policy Strategy; (iii) the approval of the operational risk tolerance level at the Bank of Albania; and, (iv) the update of the Medium-term Development Strategy of the Bank of Albania.

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

The Council held 15 meetings in 2017. Eight of these meetings focused on the review and approval of the monetary policy, divided in 4 quarterly and 4 intermediate meetings. In these meetings, after reviewing the latest macroeconomic development and factors that affect the performance of consumer prices in Albania, the Council took decisions on the key interest rates.

Throughout 2017, the Council has not changed the key interest rates, namely: (i) the policy rate at 1.25%; (ii) the overnight deposit rate at 0.25%; and (iii) the overnight lending rate at 2.25%.

Four meetings were dedicated to the analysis of the developments in the banking sector and in non-bank financial institutions. The other meetings addressed: (i)



the annual programme of the Council; (ii) the Annual Report of the Bank of Albania; and, (iii) the medium-term strategy, and the annual and medium-term budget.

a. Decision-making

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

During 2017, the Council approved 82 decisions, of which 61 were acts approved for the first time and 21 were amendments to existing acts. The Council approved 29 regulations (of which 8 new and 21 amendments to existing regulations) and 1 guideline of general application.

These above-mentioned acts were issued in accordance with the duties of the Council, as defined in the organic law, such as: (i) monetary stability; (ii) licensing, regulation and supervision of banks and other financial institutions; and (iii) provision of the financial infrastructure (currency issue, the functioning of the Albanian Financial Instrument Settlement and Registration system, statistics, etc.).

b. Management and internal organisation

The organic law stipulates that the Council is responsible for: (i) approving the Statute and the internal regulations of the Bank of Albania; (ii) determining the organisational structure; and, (iii) approving the appointment of the heads of departments and defining employment conditions at the Bank of Albania.

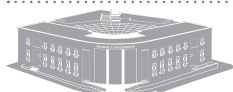
In November, the Council approved the Medium-term Development Strategy 2018-2020 of the Bank of Albania, which is an update of the Strategy 2016-2018. The update was a necessary step before the approval of the budget of the Bank of Albania for 2018 and its medium-term heuristic budget for 2019-2020.

The strategy includes the main functions of the Bank of Albania: the policies (monetary, international reserve, banking supervision); financial infrastructure (currency issue, payments systems); other functions (research, statistics); and supporting services (human resources, legal issues, accounting and finance, procurement and services, IT).

In March, at the end of the probationary period, the Council approved the appointment of the head of the Financial Statistics Department.

c. Budget

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



In November, the Council approved the 2018 annual budget and the medium-term guiding budget 2019-2020. The budget was drafted in accordance with the Medium-term Development Strategy of the Bank of Albania and departmental projections on medium-term incomes and expenditures. For the first time, this year, capital expenditures and the projections included in the budget were preliminarily approved by the Capital Expenditures Committee.

The budget aims at providing for the implementation of the main functions, the normal conduct of the activity and the fulfilment of the strategic objectives of the Bank of Albania. It is prepared by based on reference to the current situation in international markets, developments in the domestic market, the capital expenditure plan, and reflects the necessary operational expenditures for due management of assets and human resources.

THE SUPERVISORY COUNCIL AS THE HIGHEST SUPERVISORY BODY OF THE BANK OF ALBANIA

The Council considers the exercise of its supervision responsibility on the policies, management and operations of the Bank of Albania as particularly important.

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

a. Internal audit

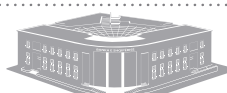
The internal audit is an activity independent of the management, which provides evaluation, reporting and objective certainty, as well as includes the compliance, internal auditing and risk management functions.

i. Control over management

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

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

The Council has been also informed about the institution's management policies and methods of using the financial assets for the realisation of the operational activity of the Bank of Albania. Every month, information was presented on the financial position and result of the Bank of Albania and the international reserve management.



ii. Activity of the Audit Committee

In order to improve the decision-making of the Council and the management of the institution, the Audit Committee exercises its duties supporting the strengthening of internal and external control lines. This Committee is responsible for: (i) the financial reporting process; (ii) the internal control system; (iii) the internal and external audit; and, (iv) compliance with the legal and sub-legal acts into force.

The Committee is composed of three members of the Council, appointed by the Council, for a three year period. The members of the Committee are: Mr Petraq Milo (Chair), Ms Ela Golemi and Ms Denada Prifti, appointed on May 2015.

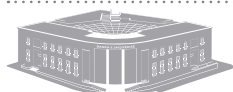
In 2017, the Audit Committee met six times and discussed issues such as: (i) the annual work plan; (ii) the drafting of financial statements; (iii) the external audit; (iv) the performance of the Audit Department commitments; and, (v) the annual and medium-term budget.

The Committee meets regularly with the Inspector General, without the presence of the administrators, and discusses the organisation of the Audit Department, the auditing annual plan and the commitments' performance. These meetings enabled members of the Committee to be informed on the internal control systems and risk management.

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

In March, the Audit Committee held a meeting with the external auditor (KPMG) to discuss on the audit for 2016 and the certification of the financial statements. During the meeting, the external auditor communicated to the members of the Committee: (i) its assessment on the accounting principles at the Bank of Albania implemented in financial reporting; (ii) the main issues discussed with the management during the auditing process, particularly those significant on financial statements and the audit report; and, (iii) the main difficulties encountered during the auditing process. The Committee was also made aware about the innovations in this year's external audit report, as a result of the adoption of the International Financial Reporting Standards (IFRS).

The members of the Committee met with the head of the department responsible for finance to discuss issues like: the preparation of financial statements in accordance with the IFRS, internal control on financial reporting, the external audit process performance, and the draft of the annual and medium-term budget.



iii. Internal audit

The Inspector General and the Audit Department, periodically and independently:

- (i) assess the accounts and the accounting records, the management and operational procedures of the Bank of Albania, to ensure the implementation of the legal and sub-legal acts; and, (ii) offer reasonable assurance on the efficiency of the control system, risk and processes management, in order to fulfil the institutional objectives.

Based on the Internal Audit Policy, the Council approved the work plan of the Audit Department for 2017, which had been preliminarily approved by the Audit Committee. The annual plan is based on international internal audit standards and updated risk assessments on the identified functions in the revised audit universe. It also reflects the suggestions of the Council, Audit Committee and administrators related to the functions/processes that need to be audited, or requests for advising/investigating on specific issues, as well as the available budget for the year.

The Inspector General reported regularly to the Council on the realisation of this plan and the results of the auditing commitments.

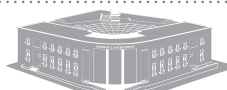
iv. Risk management

In March, the Council approved, for first time, the operational risk level of tolerance at the Bank of Albania. The residual operational risks, classified as "high" and "medium", by the periodic assessment of the Inspector General, are now treated in accordance with the procedures set forth in the Operational Risk Management Policy. The approval of the level of tolerance was preliminarily discussed at the Audit Committee. The administrators, after joint consultations, may decide on how to handle risk, in accordance with the Policy and the level of tolerance defined by the Council.

In December, a regulation was approved on the administrative investigation of signalling (whistleblowing), protection of confidentiality and protection from retaliation at the Bank of Albania. The Regulation is pursuant to the relevant law and aims to prevent and counter corruption, promote signalling on actions or practices suspected of corruption, and protect the signalling employees.

b. External audit

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



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

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

ACCOUNTABILITY AND TRANSPARENCY

The Council has regularly complied with Bank of Albania's accountability obligations to the Assembly and its transparency obligations to the public, the financial system and the media.

The Council approves all reports and recommendations that are presented to the Assembly or the Council of Ministers, as well as the annual and financial reports of the Bank of Albania. These reports explain the decision-making at the Bank of Albania and its performance in light of achieving its legal objectives.

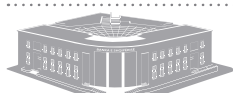
a. Approval of the Annual Report

In March, the Council approved the Annual Report 2016 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 and the external auditor's opinion are an integral part of the Report. Information on the annual activity and results of the Audit Department for the period January-December 2016 was attached to the Annual Report. This document constitutes an additional instrument towards the accountability of the institution.

b. Approval of financial statements

An integral part of the annual report are also the financial statements verified and certified by the external auditor and his opinion. The financial statements were audited by KPMG Albania. Based on the review of the International Standard on Auditing 720 "The Auditor's Responsibilities Relating to Other Information", the auditor also used other information, from the Annual Report 2016, to consider whether this information was materially inconsistent with the financial statements.

In the opinion of KPMG Albania, the financial statements give a true and fair view of the Bank of Albania's financial position as at 31 December 2016, its financial performance and cash flows in accordance with IFRS.



c. Distribution of profit

In March, the Council approved the distribution of profit of the Bank of Albania for 2016 and the financial statements, in accordance with the International Financial Reporting Standards (IFRS). The value of net profit realised during 2016 was ALL 908,214,091.75 (calculated as difference between net income from the activity of the Bank of Albania, ALL 982,011,140.77, and net provisions, ALL 73,797,049.02).

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

d. Reporting to the Assembly and Council of Ministers

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

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

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

The reports have been sent to the Assembly, the Council of Ministers and other central institutions of the Republic of Albania.



2. ACTIVITY OF THE BANK OF ALBANIA DURING 2017

2.1 MONETARY POLICY

The main objective of the monetary policy is to achieve and maintain price stability. A stable price economic environment: (i) provides to households and enterprises the possibility to take well-informed decisions on consumption, savings and investments; (ii) helps maintaining the purchasing power and prevents the unforeseen distribution of income; (iii) facilitates the efficient allocation of resources in the economy; and, (iv) promotes financial stability in Albania. Hence, monetary policy supports the stable and long-term growth of Albania, providing an important contribution to the economic and social welfare.

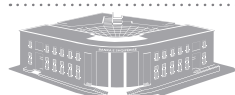
The target of the Bank of Albania's monetary policy is to keep inflation around 3% in the medium term. To hit this target, the Bank of Albania operates an inflation targeting regime, while the exchange rate is freely determined by the demand and supply for foreign currency in the market. On the operational aspect, the monetary policy is fulfilled through the intervention with indirect instruments in the financial markets.

Albania's economy and financial system were characterized by improving trends during 2017

The available economic and financial data of 2017 represents a positive picture, overall. Economic growth strengthened further, growth sources appeared more balanced, and the economic activity in Albania approached its potential level.

According to INSTAT data, the volume of economic activity registered 3.9% annual growth during the first nine months of the year. Indirect data suggest that the Albanian economy has continued to grow in 2017 Q4 as well, although with a somewhat lower intensity compared with the previous quarters. Economic growth was generated by the expansion of domestic demand, in the form of increasing consumption and investments, and by the expansion of foreign demand, in the form of increasing exports. Both the services and the production sectors have benefited from this expansion of aggregate demand.

The expansion of economic activity increased production capacities, as illustrated by the increase of employment, the decrease of unemployment, and the improvement of the financial situation of enterprises. The annual growth of employment averaged 2.9% during the first nine months of the year, while



the unemployment rate decreased at 13.6% at the end of 2017 Q3. Also, enterprises report a capacity utilisation near the average level of the previous year, while the improvement of their financial situation was reflected by the decrease of the non-performing loans ratio and the further increase of unused liquidity, deposited in commercial banks.

The main economic and financial balances of Albania tended toward strengthening

The current account deficit and the level of public debt declined during 2017, while financial markets were overall quiet and the main financial soundness indicators improved.

The current account deficit decreased at an average of 6% of GDP during the first nine months of the year, against the 8% registered in the previous year. The current deficit was financed mainly with non-debt-creating flows, helping control liquidity risk and foreign debt stability.

Fiscal indicators registered a consolidation during 2017, reflecting a low level of budget deficit and a decrease of public debt to GDP ratio. The continuation of fiscal consolidation has enabled a better transmission of the monetary stimulus to the economy, has helped reducing fiscal weaknesses, and has increased the resilience of the public sector against future challenges.

Financial markets were quiet and characterised by low interest rates and contained risk premiums. The banking sector appeared sound, with good liquidity, capitalisation and profitability indicators. The balances of this sector improved, but its lending policies continue to be conservative.

Despite the cyclical improvement, the economic activity remained below the potential and inflation below the 3% target.

Average inflation for 2017 resulted at 2.0%, up from the 1.3% in 2016. The upward inflation reflected the improving trend of economic activity, but its undershooting continues to reflect the operation of the economy below the potential, the low inflation in trading partner countries, as well as the appreciation of the exchange rate. In particular, inadequate production capacity utilisation implies that the level of employment, the wage growth rate and the business profit margins continue to lag below their medium and long-term equilibriums.

The Bank of Albania maintained unchanged the size and intensity of the monetary stimulus during 2017

Despite the positive development trends, the weakness of general inflationary pressures, the still incomplete utilization of production capacities, the medium-term orientation towards fiscal policy consolidation, and the downward concentration of risks' balance have dictated maintaining the direction and intensity of the monetary stimulus unchanged.

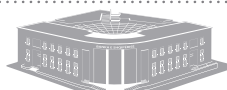
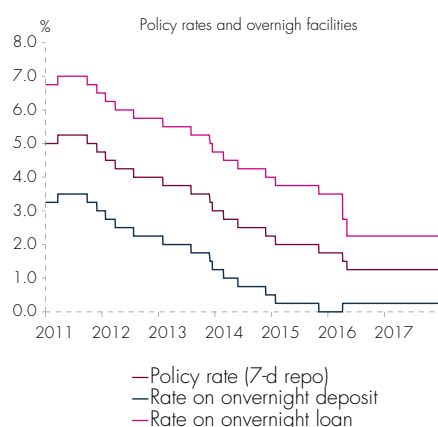


Chart 1 Key interest rates



Source: Bank of Albania.

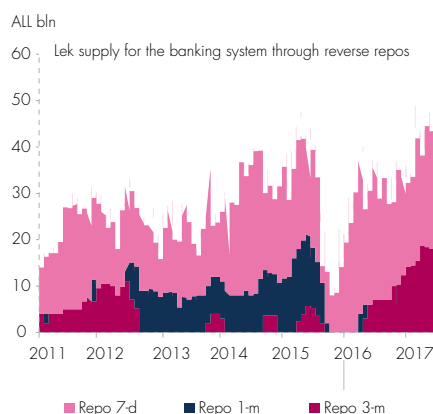
The monetary stimulus was transmitted through three main instruments:

- **The policy rate**, which maintained its lowest historical level, 1.25%. The low refinancing cost of the banking sector has created the premises for an overall decrease of financing costs in the real sector of the economy.

- **The injection of liquidity into the interbank market**, which simultaneously increased its volume and average duration. Liquidity injection contributes to the normal functioning of the interbank market and facilitates the fulfilment of its role as an intermediary of funds in the economy. The Bank of Albania injected on average about ALL 34 billion per week in the interbank market, while a year earlier this indicator marked the level of ALL 24 billion. In addition to the one-week operations, the Bank of Albania increased its three-month liquidity injection, aiming for better control over medium and long-term interest rates.

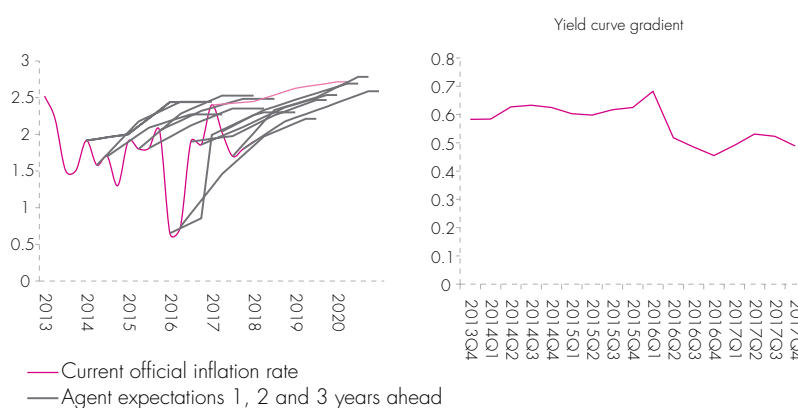
- **Monetary policy forward guidance**; the Bank of Albania has used it to suggest the strength and intensity of the monetary stimulus will be maintained in the next quarters. This instrument has been successful in anchoring medium-term inflation expectations and reducing long-term interest rates, as shown by the flattening of the yield curve in recent years.

Chart 2 Volume and structure of the liquidity injected in the intermediary market

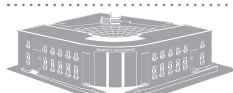


Source: Bank of Albania.

Chart 3 Inflation expectations and the government securities yield curve*



*The gradient is derived from the yield curve regression coefficients in the primary market, obtained by using the least squares method.
Source: Bank of Albania.

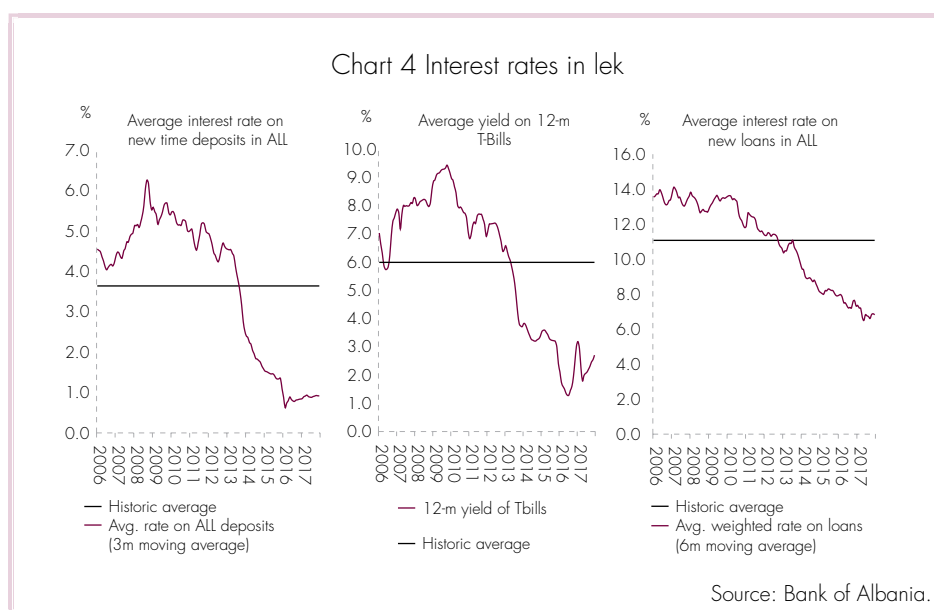


The accommodative monetary policy provided the main contribution to the improvement of the economic indicators.

The accommodative monetary policy has aimed and has managed to boost aggregate demand and economic growth, creating the necessary premises for the return of inflation to target.

The monetary stimulus was transmitted to the economy through a series of channels.

First, the accommodative stance of the monetary policy has boosted the growth of consumption and investments by reducing the cost of their financing and by improving the liquidity situation of the borrowers. The monetary stimulus has enabled the creation of a financial environment characterized by low interest rates, ample liquidity, and low risk premiums. The policy rate has decreased by 5.0 percentage points since the beginning of 2009, which has enabled the decrease of credit interest rates, 12-months T-bills and deposits in lek at 6.9, 4.5 and 6.6 percentage points, respectively (Chart 4).



Low interest rates have increased demand for new loans and have decreased the servicing cost of existing loans. In response to them:

- **The volume of lek loans to the private sector increased by 7.2% in 2017**, being the main contributor to total credit growth. The new bank credit to enterprises is mainly used to finance investment projects, whereas those for households mainly to finance consumption.
- **The servicing cost of existing loans declined**, as a consequence of the decrease of the 12-months T-bills yields, whose price is used as reference rate for lek loans. According to a approximate estimation,

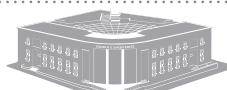
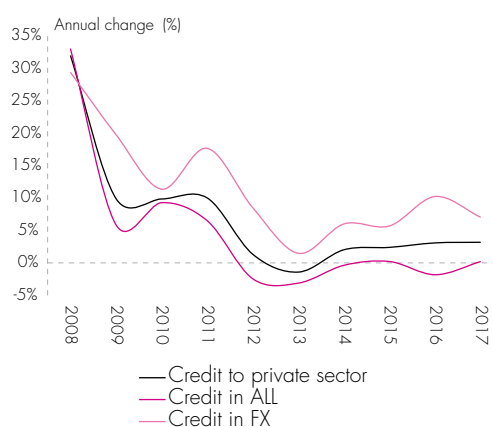


Chart 5 Credit performance in years (annual change, in %)



Source: Bank of Albania.

in the absence of an accommodative stance of the monetary policy, the servicing cost of this credit to the private sector would have been around ALL 11.5 billion higher during 2017. This financial saving creates spaces for higher consumption and investments, through the use of its own funds.

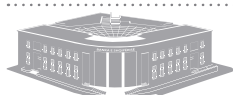
Second, the monetary policy has boosted domestic demand, through the reduction of uncertainties in the economy. The monetary policy forward guidance has helped reducing private sector uncertainties, which has promoted a greater orientation towards consumption and investment.

Third, the accommodative stance of the monetary policy has helped improve the balance of trade, through curbing appreciating pressures of the exchange rate and boosting the competitiveness of Albanian exports. Improving the positive balance of trade has led to further growth in aggregate demand and economic activity.

Finally, the accommodative monetary policy has supported the strengthening of Albania's financial stability. The financial environment with low interest rates has improved the financial balances of borrowers, by bolstering aggregate demand, by easing the servicing cost of debt, as well as encouraging the restructuring of existing loans. In this way, the monetary stimulus has helped improve the quality of banking sector assets, which is also the main systemic financial risk in Albania.

Through the above transmission channels, the accommodative monetary policy has helped increasing aggregate demand and enabled the further expansion of economic activity. Our assessments suggest that the monetary policy has contributed positively, by around 0.7 percentage point, to the economic growth rate of 2017 (for more information, see Box 1).

Growth in aggregate demand has led to higher employment and improved capacity utilization rates, boosting medium-term inflationary pressures. However, inflation remains below our target. This performance reflects the presence of spare production capacities, various short-term shocks as well as other structural factors that have impeded the stable return of inflation to target. Also, this illustrates the need to continue the accommodative stance of the monetary policy in the medium-term as well.



BOX 1: MONETARY POLICY IN ALBANIA AND ITS CONTRIBUTION TO ECONOMIC GROWTH

This box aims to provide an assessment on the impact of monetary policy on economic growth. The first section addresses the theoretical aspect of the impact of monetary policy transmission channels on the economy. The second section addresses the methodology applied to assess the impact of monetary policy on Albania's economic growth. The last section discusses the outcomes of the assessment.

Monetary Policy Transmission Channels

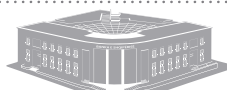
Monetary policy affects the interest rates in the financial market, the expectations of the economic agents, as well as the behaviour of the exchange rate, through the spread between the interest rates in lek and those in foreign currency.

Through the impact of the interest rates channel, the monetary policy has a significant role in defining financial incentives and the availability of liquidity for consumption and investments. Through the expectations channel, the monetary policy affects the decision of economic agents for consumption and investments. Finally, through the exchange rate channel, the monetary policy affects the exchange rate performance and - in the short and medium term - the competitiveness level of Albanian exports. In euroized economies, like Albania, the exchange rate also affects the financial situation of borrowers in foreign currency, unhedged against exchange rate changes. These two exchange rate impact channels have opposite effects in the economy.

The monetary policy is accommodative when the policy rate remains below its equilibrium level and the real interest rates in financial markets are lower than their long-term trend. Such policy is undertaken when inflation is below its target and when the volume of economic activity is below its potential. The monetary policy is tightening when the policy rate is above its equilibrium level and the real interest rates in financial markets are above their long-term trend. Such policy is undertaken when inflation is above its target and when the volume of economic activity is above its potential. Finally, the monetary policy is neutral when the policy rate is at its equilibrium level and the real interest rate is similar to its long-term trend. The size of the gap between the policy rate and its equilibrium level defines the accommodative or tightening intensity of monetary policy.

An accommodative monetary policy stance:

- *promotes the increase of consumption and investments, through the decrease of financing costs; the increase of liquidity in the market; and expectations for growth of demand in the future;*
- *tries to temporarily depreciate the real exchange rate and improve, also temporarily, the foreign competitive position of the economy;*
- *attempts to deteriorate the financial situation of borrowers in foreign currency, unhedged against exchange rate changes, by decreasing their purchasing power. This last channel is viable for euroized economies and its impact is the opposite of the two other channels.*



A tightening monetary policy operates in the opposite direction in all the channels listed above.

In all cases, the monetary policy serves as an instrument for the return of the economy to equilibrium, which serves the stable and long-term growth of Albania. The macroeconomic equilibrium is a prerequisite for medium and long-term price stability.

Assessment methodology of the monetary policy impact on economic growth

The assessment of the contribution of the monetary policy to economic growth implies the measurement of the impact of the interest rates on the market and the real exchange rate in the real economy, which derive only as a result of the monetary policy stance. Two parallel exercises were conducted to obtain this assessment.

- In the first exercise, the impact of monetary policy on the real economy has been obtained through the interest rate channel. The impact of all the components that define the cyclical position of the economy is decomposed and the impact of real interest rates on economic growth is singled out.*
- In the second exercise, the impact of monetary policy on the nominal exchange rate has been obtained through the condition of covered interest parity. The estimated impact is subtracted from the actual exchange rate, to generate an alternative exchange rate without the impact of monetary policy. Through this alternative exchange rate, Albania's economic growth has been re-evaluated without the impact of monetary policy.*

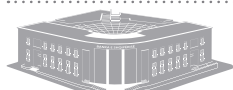
These assessments were carried out through the macro-econometric model used by the Bank of Albania for medium-term projections.

Estimation results

The point estimation of the monetary policy impact on the performance of the economy has been conducted since 2011. After this year, the monetary policy has consistently maintained its accommodative stance. The results are presented in a chart at the end of this Box.

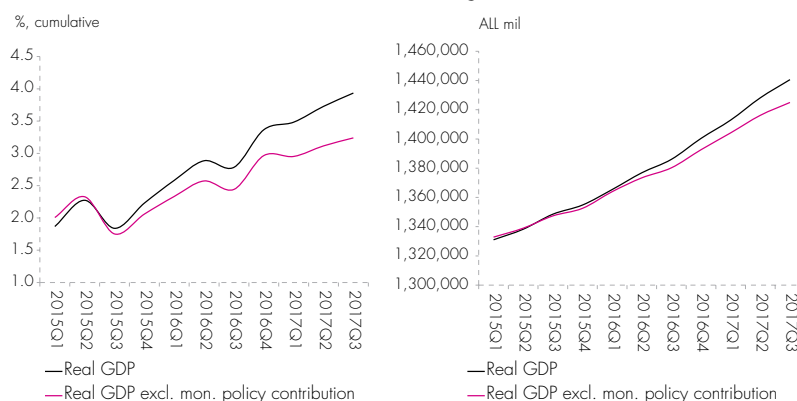
In summary, our conclusions are as follows:

- The positive impact of monetary policy on economic growth has picked up significantly since 2014. The contribution of monetary policy to economic growth for 2015, 2016, and the annualized growth up to 2017 Q3 is around 0.17 p.p., 0.4 p.p., and 0.69 p.p., respectively. The economic growth at 2.23%, 3.37% and 3.93% for 2015 and 2016 and up to 2017 Q3 would be 2.06%, 2.97% and 3.24%, respectively, in the absence of the contribution of monetary policy (see chart 6 on the left).*
- Beyond the impact on growth rates, the positive contribution of monetary policy has a cumulative impact on the economic activity level as well, measured by the real GDP. For 2017, real economic activity in Albania is about 1.26 p.p. higher, as a contribution of the accommodative monetary policy pursued by the Bank of Albania (see Chart 6 on the right).*
- The main impact on economic growth by the accommodative monetary*



policy has been through the interest rates channel. The impact of monetary policy through the exchange rate channel also is positive, but its size is smaller. This comes as a result of the opposite impact that the change of competitive position and the financial situation of unhedged borrowers.

Chart 6 Cumulative economic growth, real and excluding monetary policy contribution (left); cumulative annual GDP, real and excluding monetary policy contribution (right)



Source: Bank of Albania.

In institutional terms, the Bank of Albania has continued to work on meeting the strategic development objectives of monetary policy

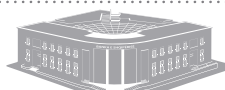
To achieve the objectives set out in the Medium-term Strategy¹, the Bank of Albania has worked meticulously to improve the drafting and implementation process of monetary policy. During 2017, progress has been made in the following aspects.

- Further improvement on the analytic, forecasting, and assessing process of the impact of monetary policy. The integration of the various aspects of the process in a unified policy-making framework enables the: (i) forward guidance monetary policy decisions; (ii) generation of macroeconomic forecasts, with regular frequency and according to a standardized process; (iii) consistency of monetary policy decisions with the actual trends in economic development and our projections.

The macro-econometric models², which are used to generate macroeconomic forecasts and to analyse the monetary policy impact, are the main elements of

¹ These objectives are set out in Bank of Albania's Medium-term Strategy 2016-2018.

² Macroeconomic models describe the long-term structural relation between various economic variables, where the relations are assessed by contemporary econometric methods or calibrated according to the historical behaviour of the variables in models.



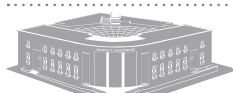
this framework. During 2017, we worked towards: (i) overall improvement of the existing models; (ii) achieving a more complete inclusion of the financial sector in their existing structure; as well as, (iii) enriching models with diagnostic and analytical functions. In this aspect, we benefited from the technical assistance of the IMF, the Swiss State Secretariat for Economic Affairs (SECO), and the Geneva Institute in the framework of the cooperation agreements.

The results of this work have served to establish a complete and more advanced set for analysing and forecasting macroeconomic variables, as well as for assessing the monetary policy response.

- **Deepening research on the structure of functioning of the economy and on the monetary policy transmission channels.** In the field of monetary policy, during this year, attention was paid to the: (i) study of the determining factors of low inflation in Albania; (ii) reassessment of the determining factors of long-term growth and the identification of the potential growth rate; (iii) analysis of the appreciating behaviour of the exchange rate and the assessment of its impact on inflation; (iv) impact of demand and supply factors on credit performance; (v) structural analysis of the economy, etc. Research findings are reflected in Boxes in the Quarterly Monetary Policy Reports, as well as in the research materials published on the website.

Research results have supported the decision-making and communication of the monetary policy, and have enabled a more comprehensive macroeconomic forecasting framework.

- **Improvement of the quality, structure and clarity of the main monetary policy communication instruments,** in order to increase transparency and its effectiveness. In this regard, our work focused on simplifying the communication language, increasing the emphasis on future developments, as well as enriching the reports with boxes to address specific phenomena affecting the economy and finance of Albania.
- **Increasing the efficiency of monetary policy instruments.** In this regard, the framework of forecasting the needs of the banking sector for liquidity has improved, aiming to enhance the efficiency of the programming and implementation of our interventions for its management. At the beginning of 2018, the short-term liquidity forecast was published, increasing transparency and helping to improve the liquidity management by the market agents themselves.
- **Increasing the efficiency of operational decisions.** For the second year, the new assessment framework of the international reserve adequacy level was implemented, supported by the optimisation approach. The assessment of the optimal level of the international reserve takes into account a number of factors, balancing the sources of risk in an



economy - against which the international reserve serves as a hedge - with the opportunity costs associated with maintaining a certain level of the international reserve. Such an approach prevents large operational fluctuations and decreases the reputational costs from unforeseen shocks.

- **Coordination of monetary and fiscal policies, in support of strengthening macroeconomic stability.** The government's commitment in pursuing a consolidating fiscal policy in the medium-term is factorized in the forecasts of the Bank of Albania and has enabled pursuing a more accommodative monetary policy stance.

The monetary and fiscal policies mix is assessed to be adequate. On one hand, it preserves an accommodative result of main economic policies; on the other hand, it addresses the weaknesses deriving by the relatively high level of public debt.

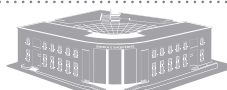
INFLATION AND ITS DETERMINING FACTORS

The overall inflationary pressures increased during 2017, confirming the forecasts of the Bank of Albania.

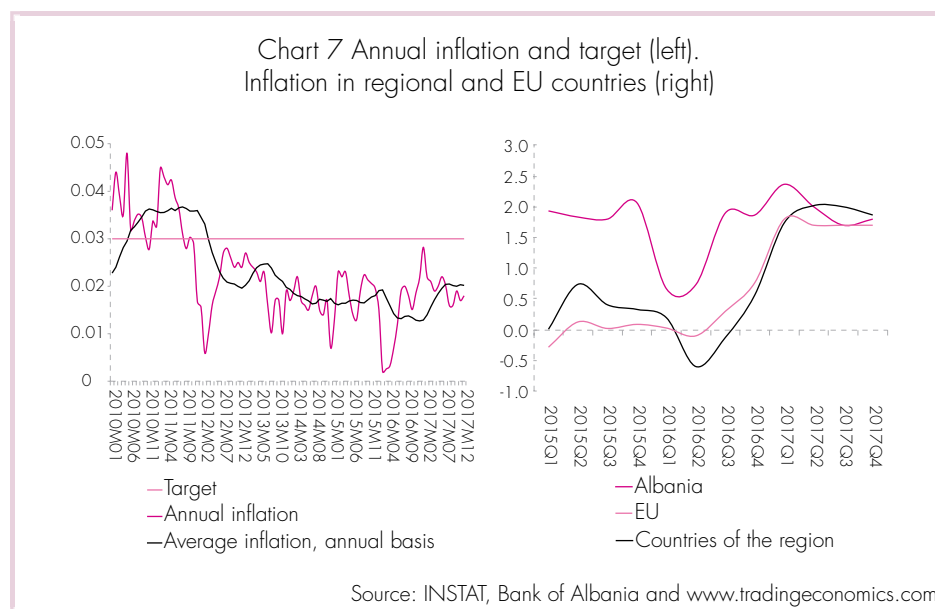
However, owing to the still incomplete utilisation of production capacities, the low inflation in trading partner countries and the exchange rate appreciation, the intensity of these pressures was insufficient for the return of inflation to target.

Annual inflation in 2017 averaged at 2.0%, up against the 1.3% in the previous year and confirming our expectations for its performance. The inflation profile during the year was characterized by a fast growth in 2017 Q1, a decelerating trend in Q2 and Q3, and a slight increase in 2017 Q4. In 2017 H1 and H2, inflation averaged 2.2% and 1.8%, respectively.

In macroeconomic terms, the upward trend of average inflation reflected the strengthening of domestic inflationary pressures, due to the improvement of the economic activity and increased utilisation of production capacities. On the other hand, inflation fluctuations throughout the year reflected supply-side shocks. In particular, the increase of inflation in 2017 Q1 was driven by increasing inflation in unprocessed food prices, as a result of adverse weather conditions, fuel and services prices related with it, as well as the effect of the low comparative base of the same period in the previous year. The mitigation of the above-mentioned effects was reflected in a slowdown of inflation in the following quarters. Also, the decrease of inflation in 2017 H2 was largely driven by curbing foreign inflationary pressures, as result of the combined impact of slow price growth abroad and the exchange rate appreciation.



On a broader context, the performance of inflation in Albania continues to have a similar profile to the performance in the countries of the region and our main trading partner, the European Union. Also, in 2017, a convergence tendency was observed for the level of inflation in Albania with the level of inflation in our trading partner countries.



The level and fluctuations of inflation continued to reflect mainly the performance of unprocessed food prices

Goods in the category of "Unprocessed food", which are continuously subject of short-term shocks, had the main share in the formation of inflation during 2017 (in average around 60%). These shocks are related mainly with specific weather conditions, fluctuation of the exports' demand, as well as various shocks in the chain of production and trading of agricultural products. On the other hand, the inflation of the "Processed food" category showed a different behaviour during 2017. Its contribution to headline inflation registered a significant decrease during the year³. The inflation of this category is affected by both the lek appreciation and the slower increase of food prices, especially of grains, in foreign markets. These developments have reduced the contribution of the imported component of this category to headline inflation.

³ The contribution of this category to headline inflation decreased from 0.6 percentage point in 2017 Q1 to almost zero at the end of the year.

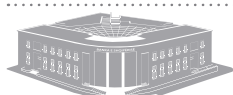


Table 1. Contribution of key items to annual inflation (p.p.)

	Q4:15	Q1:16	Q2:16	Q3:16	Q4:16	Q1:17	Q2:17	Q3:17	Q4:17
Processed foods (p.p.)	0.0	-0.4	0.1	0.4	0.6	0.6	0.5	0.2	0.0
Bread and grains (p.p.)	-0.1	-0.2	-0.1	0.0	0.1	0.1	0.0	0.0	0.0
Alcohol and tobacco (p.p.)	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Unprocessed food (p.p.)	2.6	1.5	0.9	1.2	0.9	1.3	1.1	1.2	1.3
Fruits (p.p.)	0.9	0.7	0.6	0.4	0.2	0.3	0.3	0.5	0.6
Vegetables (p.p.)	1.7	0.8	0.3	0.8	0.6	0.9	0.7	0.7	0.6
Services (p.p.)	0.0	-0.1	0.0	0.2	0.2	0.2	0.2	0.1	0.1
Goods with regulated prices (p.p.)	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Fuels and energy (p.p.)	-0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Housing (p.p.)	-0.2	-0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.2
Non-food consumer goods	-0.3	-0.3	-0.3	-0.1	0.1	0.3	0.2	0.2	0.2
Durable goods (p.p.)	0.0	0.1	0.1	0.1	0.1	0.0	-0.1	-0.1	0.0
Consumer Price Index (annual change, %)	2.1	0.7	0.7	1.9	1.9	2.4	2.0	1.7	1.8

Source: INSTAT and Bank of Albania.

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

Other basket items have given a higher contribution to average inflation in 2017, which has been overall consistent during the year.

The category "Non-food consumer goods" had the highest average contribution to 2017 headline inflation, although this indicator had a slight downward trend during the year, driven mainly by the performance of fuel prices in foreign and domestic markets. The inflation of "Services" has also shown the same performance and profile. After a long negative period, the performance of "Housing-rent" prices returned to positive contributions, although low, to headline inflation in 2017 H2. The categories "Goods and services with regulated prices" and "Durable goods" maintained low contributions to headline inflation; the second category often times provided negative values.

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

Our analyses suggest that the expansion of aggregate demand is accompanied by a gradual, but still incomplete, movement of the economy towards potential. The increase of the production capacity utilisation strengthens the increase of wages, production costs and profit margins, in line with our inflation target.

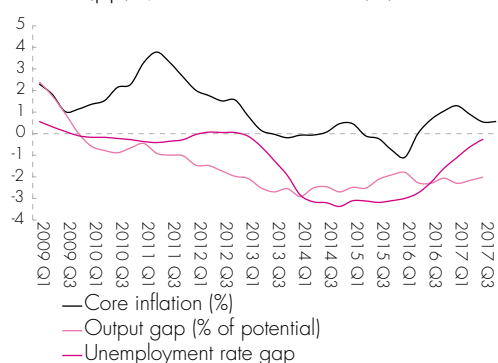
This chain of phenomena has been present throughout 2017. This year's core inflation resulted at 0.8%, significantly higher than the previous year (0.2%).

However, our analyses suggest that the strengthening of domestic inflationary pressures has not yet reflected completely the improvement of the cyclical position of Albania. This transmission has been curbed by the appreciation of the exchange rate, the structural improvements in the employment market, as well as the high inertia showed by the complete return of inflationary expectations to target.⁴ Core inflation contributed more consistently to the formation of headline

⁴ For an assessment of the factors that have contributed to keeping inflation low, see the Box on "Cyclical and structural factors leading to low inflation in Albania", Monetary Policy Report 2018/I, February 2018.



Chart 8 Output gap (%), unemployment rate gap (pp)*, and core inflation (%)**



*Unemployment rate gap is calculated as the difference between the natural rate of unemployment and the factual one published by INSTAT, to simplify the interpretation of the direction with the output gap which is calculated in % of potential output. **The indicators in terms of gaps are flattened through 4 terms moving averages. For the core inflation is given the annual average. Source: INSTAT and BoA's calculations.

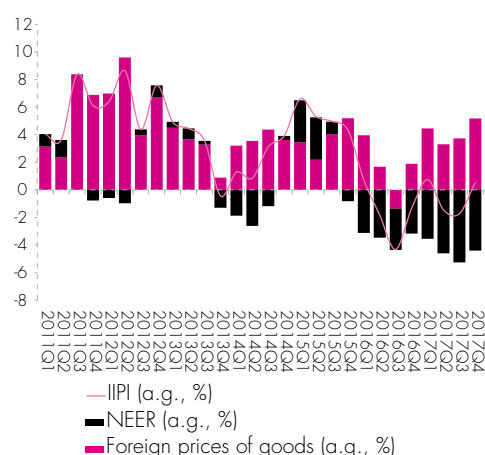
inflation during 2017 H2. Its stabilisation suggests a more complete materialisation of the impact of medium-term factors in the formation of inflationary pressures in the economy, despite short-term shocks.

The foreign environment continued to generate low inflationary pressures during 2017, which weakened even further because of the appreciation of the exchange rate

The imported inflationary pressures index (IIPPI)⁵ registered an average annual decrease of 0.3%, while in the previous year this decrease was at 1.7%. This development reflected the increase of the foreign prices (4.2%) and the average annual appreciation of the nominal effective exchange rate (4.5%).

ECONOMIC ACTIVITY

Chart 9 IIP and contributions of its components



Source: INSTAT and BoA's calculations.

The economic activity continued to grow during the first nine months of 2017, mainly supported by the improved performance of the services and construction sectors.

Domestic demand was the main driver of growth, with positive contribution from both of its components, consumption and investments.

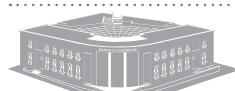
According to available INSTAT data, the economy grew by 3.9% during the first nine months of the year.⁶ This growth rate reflected the same contribution, by 1.7 percentage points, of the services⁷ and the production sectors.

In the services sector, the highest contributions to economic growth are assessed to be from the "Trade, hotels and restaurants, transport" and "Public administration, education and health", at 0.7 and 0.6 percentage point, respectively. Meanwhile, the improved dynamic of the production sector reflected positive contributions from all its main activities. Among them, construction continued to generate the highest contribution to GDP growth, at

⁵ The annual change in the IIPPI is the algebraic sum of annual changes in the import price index and the NEER index.

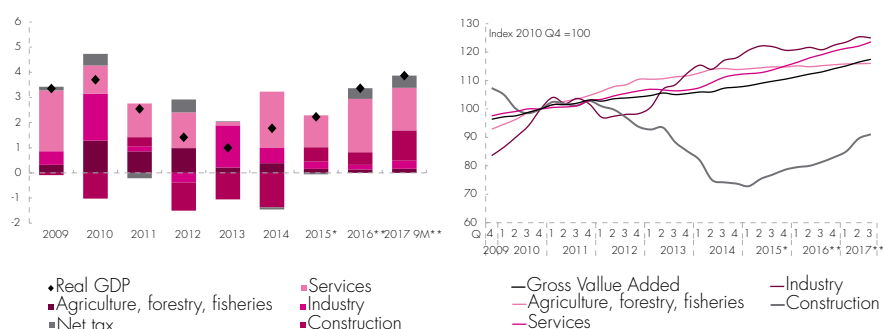
⁶ Until 14 March 2018, the latest GDP data published by INSTAT by production and expenditures cover developments until 2017 Q3. In the three first quarters of the year, economic growth resulted at 4.0%, 4.1% and 3.5%, respectively.

⁷ The main branches of services are: "Trade, hotels and restaurants, transport", "Information and communication", "Financial and insurance activities", "Real estate activities", "Professional activities and administrative services", "Public administration, education and health", "Arts, entertainment, recreation, goods production activities of families for own use and other services".



around 1.2 percentage points, driven by the growth of public investments, the continuation of work in major energy projects (where foreign direct investments dominate) as well as the realisation of new constructions⁸. Meanwhile, the industrial⁹ and the agricultural activity supported the economic growth of the first nine months of the year at 0.3 and 0.2 percentage point, respectively.

Chart 10 Annual growth of real GDP (in %) and contribution of production-side components (in p.p.). Trend of real GVA in economy and sectors[°]



* Semi-final data. ** A preliminary assessment.
[°] Indices of the real GVA for the economy and its sectors reflect the trend of the relevant value added, calculated as the moving sum of quarterly values for four quarters, based on 2010 Q4.
 Source: INSTAT and Bank of Albania.

Developments in the labour market resulted positive during the first nine months of 2017¹⁰

Employment in the economy registered an average annual growth of 2.9% during the first three quarters of 2017. Notwithstanding the positive performance, this growth was slower than the 6.8% growth registered in the same period in the previous year.¹¹ Employment grew largely determined by the increase of employees in the services sector. This growth has led to a further decline of the unemployment rate. The unemployment rate remained at around 13.6% in 2017 Q3, or around 1.1 percentage points lower than the rate registered in the same period the previous year.

⁸ Referring to the volume index in construction, disaggregated in: new constructions, restructuring and engineering works.

⁹ Among the branches included in the industry sector, to the processing industry is attributed the highest contribution to the GDP annual growth during the period under review, at around 0.4 percentage point.

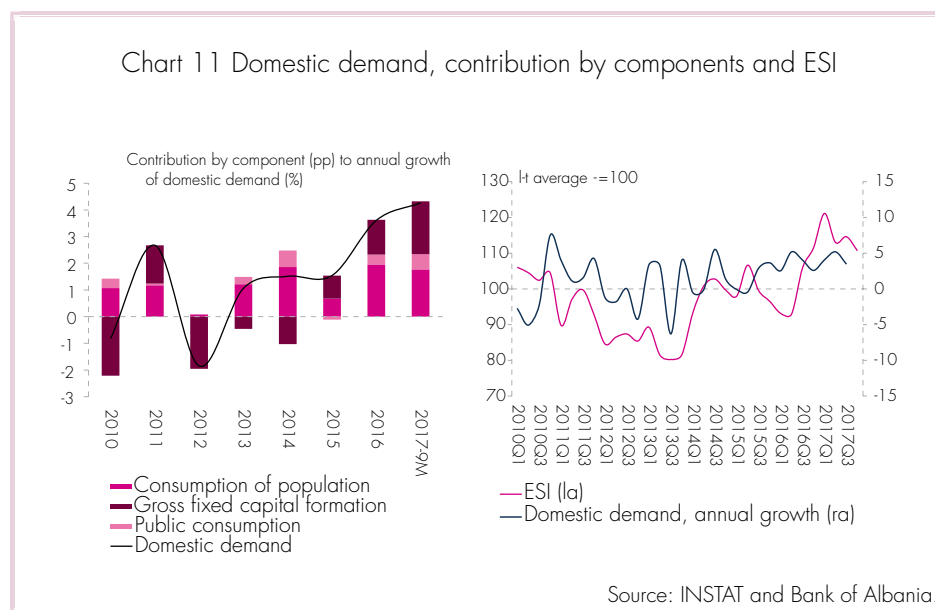
¹⁰ Analysis of employment and unemployment is based on the data of the Labour Force Quarterly Survey, and refers to the indicators for those 15 of years and older.

¹¹ The expansion of employment during 2016 is assessed to have also reflected, to some extent, the effects of the formalization process undertaken by the government starting from 2015 Q3.



The expansion of domestic demand and economic activity during 2017 is supported by the increase of investments and private consumption

Domestic demand increased by 4.3% during the first nine months of 2017.¹² Investments and consumption of the population provided the main contribution. In the case of investments, the main increasing contribution is assessed to have come from the public sector, while the contribution of the private sector has slowed down. At the same time, the contribution of public consumption has increased compared with 2016.



Information from indirect indicators suggests a positive performance of domestic demand during 2017 Q4, formed by downward contribution of investments and upward contribution of consumption of the population.

Private consumption continued its upward cycle during the first nine months of 2017

Private consumption grew 2.5%, on average, during the first three quarters of the year. The increase of consumer spending was slower in 2017 H1 (+2.2%), but accelerated in 2017 Q3 (+3.3%). The growth of long-term durable goods and services expenditures is assessed to have contributed to the expansion of private consumption¹³. The growth of employment and wages, the improvement of consumer confidence, and the favourable financial conditions were the main factors that supported the growth of consumer expenditures.

¹² Domestic demand components are final consumption (including final consumption of the population, of the public administration and of non-profit institutions) and gross fixed capital formation. In terms of national accounts, private consumption in this report refers to final consumption of the population, whereas investments are equivalent to gross fixed capital formation

¹³ Based on indirect indicators, except those published by national accounts, which do not give a disaggregated measurement of private consumption.

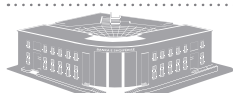
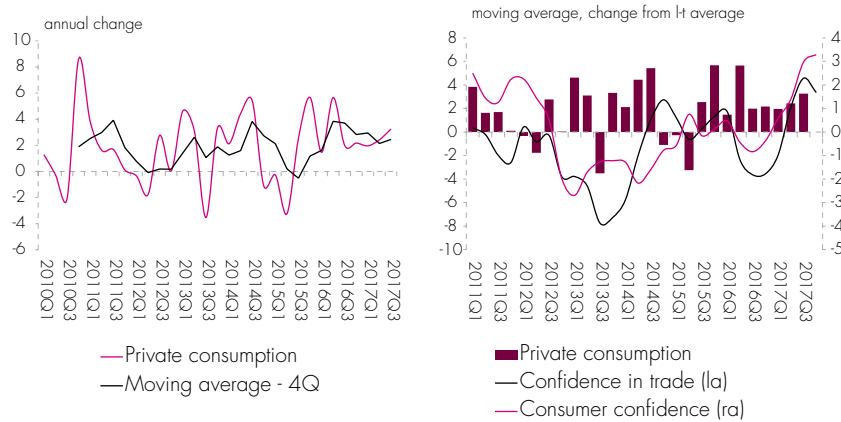


Chart 12 Private consumption and confidence in trade and consumer confidence



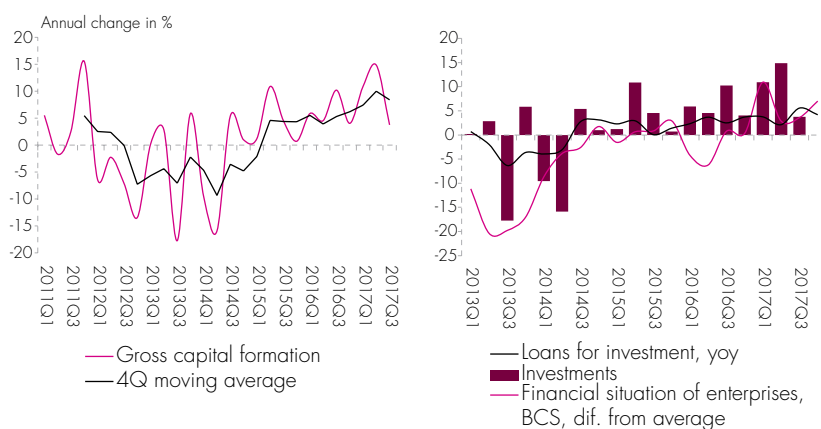
Source: INSTAT and Bank of Albania.

Investments continued to grow during 2017

Investments in the economy grew by 9.8% during the first nine months of 2017. In the last three years, this component has contributed significantly to the expansion of aggregate demand. Investments in construction and, to a lesser extent, also investments in machinery and equipment contributed positively to its growth during the year.

The main factors that supported the growth of private investments are the improvement of confidence and the financial situation of enterprises, the gradual recovery of consumer demand, as well as low financing costs in the banking sector. Confidence indicators in the sectors of trade and construction remained very close to the historical average during 2017, and above the historical average in the sectors of industry and services.

Chart 13 Annual performance of investments in the economy



Source: INSTAT and Bank of Albania.



Fiscal indicators improved, but the intensity of fiscal consolidation decreased during 2017

The budget deficit of 2017 was assessed at around 2% of GDP, slightly upward from the 1.8% registered in 2016. In absolute terms, the budget deficit of 2017 registered ALL 31 billion¹⁴. The deficit growth led to the 2017 fiscal policy shifting towards easing and giving a direct positive contribution to increasing aggregate demand during this period (see Box 2). The higher deficit ratio from the previous year was dictated by almost in the same measure developments in revenue and expenditures. The growth of the share of budget expenditures reflected mainly the increase of public investments, while the decrease of revenues reflected mainly the slowdown of non-tax revenues.

Budget expenditure for 2017 amounted to around ALL 461.4 billion, increasing 6.4% in annual terms. The increase of capital expenditures formed 32% of the expansion of budget expenditures. Except for foreign and domestic debt interest expenditures and operational expenditures, all the other items of current expenditures contributed positively to the increase of expenditure. Measured by the volume of budget expenditures, the share of the public sector was assessed at around 29.5% of GDP, from 29.4% in the previous year. The slight increase of this ratio was driven by the expansion of the components related directly to aggregate demand (public consumption and investments), while the share of interest expenditures declined.

Budget revenues increased by around 5.7%, in annual terms, remaining around 27.5% of the GDP. This ratio registered a very slight decrease compared with the previous year. To a large extent, the increase of revenues was formed by VAT (around 35%), social insurance (32%) and local government (15%) revenues. In addition, national tax revenues also contributed to the increase of total revenues.¹⁵ In view of minimal changes in the tax policy, the growth profile of tax revenues during 2017 reflects the recovery of economic activity and the improved dynamics of labour market indicators.

During 2017, the government had privatisation revenues of ALL 0.4 billion and increased the domestic and foreign net borrowing by ALL 45.4 billion. Available funds, ALL 31 billion, were used to finance the 2017 deficit, and the remainder, ALL 14.8 billion, to improve the situation of the deposit.

Borrowing increased in the domestic market consisted only in long-term debt instruments, whose issue also compensated the decrease of short-term issues. This borrowing strategy resulted in the extension of the domestic debt maturity to 780 days at the end of 2017, from 753 days of the previous year.

¹⁴ Data on fiscal indicators of 2017 come from the MFE publication of 5 March 2018.

¹⁵ This was due to the increase in revenues from the Law on real estate reassessment which temporarily enabled (until May) the reassessment of assets by natural and legal persons at 2% and 3%, respectively, of the taxable base, from 15% defined by the current law.

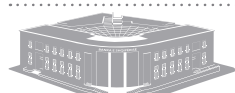
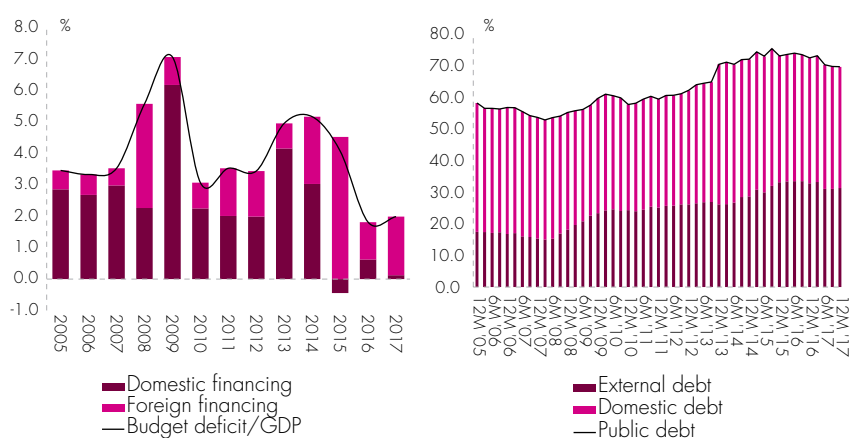


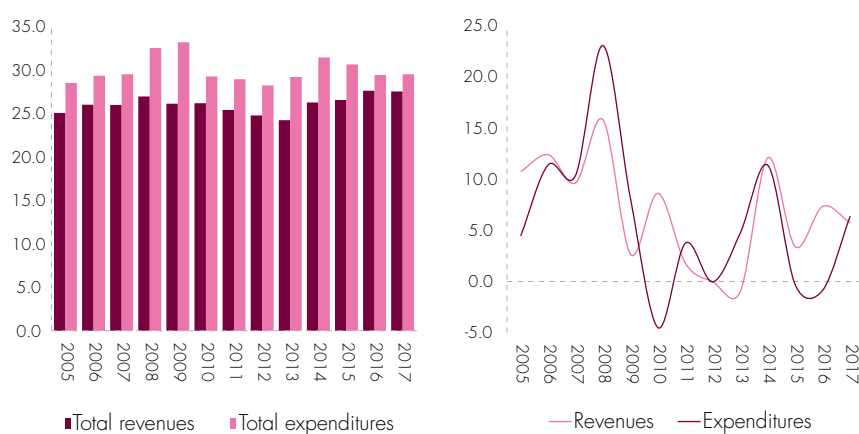
Chart 14 Budget deficit and financing (left) and public debt (right) to GDP



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

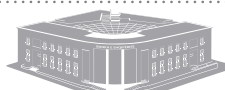
The public debt stock is assessed to have decreased at 69.6% of GDP in 2017, from 72.4% in 2016¹⁶. The decrease of public debt in 2017 is explained by the positive values of the primary balance, the higher rate of nominal economic growth against the average cost of public debt, the appreciation of the national currency, as well as the decrease of the guaranteed debt stock. Divided by residency, the public debt is dominated at 55% by domestic creditors, almost the same ratio as in the previous year.

Chart 15 Revenues and expenditures to GDP (left) and their annual changes, in % (right)



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

¹⁶ The GDP used in the construction of fiscal indicator ratios refers to BoA's assessment after the publication of GDP for 2017 Q3 by INSTAT. The data of debt stock is referred to the publication of MFE for 2017 Q4.



BOX 2. THE NATURE OF FISCAL POLICY IN ALBANIA

This box aims to give an overall assessment on the nature of fiscal policy pursued in Albania during the last 15 years. For this purpose, we first address the theoretical aspects of fiscal policy and their usefulness. Then we briefly explain the methodology and the identification of the fiscal policy direction in Albania during the period.

Fiscal policy: and business cycles

The economic literature offers three definitions on the nature of fiscal policy. Depending on the direction of the change of the budget balance and the cyclical position of the economy, the fiscal policy may be pro-cyclical, counter-cyclical and neutral.

- *Fiscal policy is called pro-cyclical when the economy is below potential and the budget deficit/surplus is contracting/expanding (tightening pro-cyclical policy), or when the economy is above potential and the budget deficit/surplus is expanding/contracting (easing pro-cyclical policy).*
- *Fiscal policy is called counter-cyclical when the economy is below potential and the budget deficit/surplus is expanding/contracting (easing counter-cyclical policy), or when the economy is above potential and the budget deficit/surplus is contracting/expanding (tightening counter-cyclical policy).*
- *Fiscal policy is called neutral when the budget deficit or surplus remains unchanged, while the automatic stabilizers act freely in the economy (EC, 2009 “Public Finances in EMU”).*

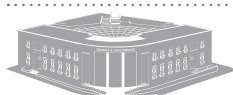
When seen exclusively from the point of view of the stabilising function of an economic policy, the desired nature of the fiscal policy is counter-cyclical. Its counter-cyclicality: (i) complements the impact of monetary policy, (ii) helps mitigating the economic fluctuations; and (iii) tends to be associated with more stable levels of public debt.

However, in practice, fiscal policy may depart temporarily from its counter-cyclical nature if: (i) the fiscal incentive is non-ineffective or impossible; and if (ii) the lack of fiscal incentives may be offset by the increase of the monetary incentive. Counter-cyclical easing fiscal policy may be: (i) non-effective, in the event the further expansion of public debt increases the risk premiums and the financing costs of the private sector, leading to a decline in private expenditures; or, (ii) impossible, in the event of liquidity shortfall in the market (Gavin and Perotti, 1997).

The consolidating trend of fiscal policy in Albania during the last years has been formed by the above-mentioned considerations. Even though aggregate demand has not been able to ensure a full utilisation of production capacities, fiscal consolidation has been assessed as desirable, as long as it lowers risk premiums in financial markets, helps financing the private sector, and enables the pursuit of a more accommodative monetary policy.

Methodological notes

The assessments on the nature of fiscal policy during the business cycles overall are based on the direction and the measure of change of the primary balance, corrected for the impact of automatic stabilizersⁱ and the impact of temporary measuresⁱⁱ.

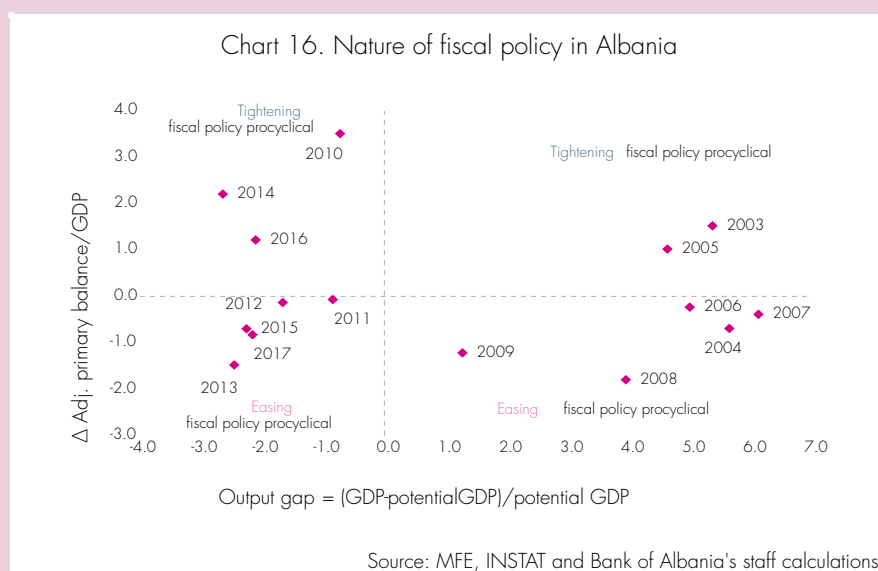


However, to identify the nature of fiscal policy in Albania, we have referred to the primary balance corrected only for the factors that affect it temporarily. This choice is motivated by two reasons. First, it is in line with the previous assessments made in the case of Albania, which evidence a relatively low share of automatic stabilizers in Albania^{III}. Second, it avoids the discussion and construction of technical suppositions on the cyclical components of the primary balance.

Given the above, the following discussion should be interpreted only as an approximation of the true nature of fiscal policy in Albania.

The nature of fiscal policy in Albania

The results of the application of the above methodology in the case of Albania are shown in the Chart below.



During the analysed period, 2003-2017, fiscal policy in Albania has taken all three possible features: pro-cyclical, counter-cyclical, and neutral. In terms of balance, the pro-cyclical feature has a slight dominance, followed almost equally by the counter-cyclical and neutral features.

For 2017, fiscal policy had counter-cyclical features, generating a fiscal impulse of 0.8 percentage point. For 2017, the easing nature of fiscal policy in support of economic growth was shaped by growth in public investments and in wages policies.

^I The automatic stabilizers are those fiscal indicators that react automatically to the business cycle, without the need of a change in the economic policies of the country for that time period (Macroeconomics, 5th edition, p 382, Mankiw, G.)

^{II} Temporary measures are those that have no impact on *over-time* budget position and as such are accounted during the assessments on the nature of discretionary fiscal policy. These measures have been evidenced in the case of Albania both in terms of revenue (as e.g. revenue from the reassessment of assets) and of expenditures (as e.g. expenditures on arrears). For more details, see "Public Finances in EMU, 2006" pp.112-113.

^{III} Gazidede A., 2013 "An alternative method of assessing the fiscal position in Albania: The budget balance corrected for business cycles"

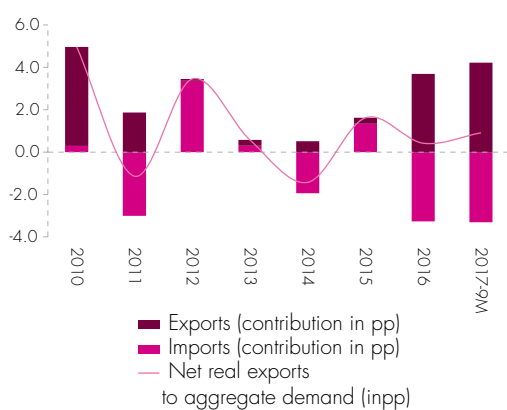


The foreign exchange balance improved significantly during 2017, contributing positively to economic growth in the first nine months of the year

During the first nine months of 2017, net exports provided a positive contribution to aggregate demand growth. The determining factor in this regard has been the good performance of exports, which contributed to the narrowing of the trade deficit in real terms, amid increased demand for imports.

General import expanded by around 13.7% in annual terms, with the main contribution from the growth in services import by around 15.1%. Additional positive contributions from other service groups have also been added to the positive performance of tourist services. In parallel, the performance of the export of goods has also resulted in positive growth (8.9% in annual terms) and with a broad base. Favourable international pricing conditions, coupled with several positive domestic supply developments (particularly in the fields of oil, metals and unprocessed food) have fuelled a high growth in export of goods, concentrated during 2017 H1. On the other hand, imports' recovery continued throughout 2017 as well. The real growth of imports resulted at 7.6%, mainly driven by the import of goods. Import growth intensified especially during 2017 Q3, due to the rapid expansion of electricity and fuel imports.

Chart 17 Contribution of net real exports
(in p.p. to GDP)



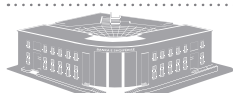
* For 2017, data apply for the first three quarters.
Source: Bank of Albania.

Data for 2017 Q4 evidence a different picture, at least in terms of goods trade. The growth of exports has reduced significantly, affected by a base effect created in the last months of 2016 as well. This perspective is expected to continue during 2018 H1 as well, mainly related with the impact of processed fuel exports. On the other hand, imports continued to show growth. This behaviour is expected to continue during 2018 H1 as well.

In terms of structure by sector, exports remain relatively concentrated in some categories despite the high growth rates during 2017. "Textiles and clothes" accounted for 43% of the total export of goods, unchanged from 2016. Other important categories are "Minerals, fuel and electricity" and "Construction materials and metals". Also, "Food, beverages,

tobacco" contributed significantly to export growth, due to the continuous increase of respective exports in the last two years.

In terms of structure by destination, the European Union countries and specifically Italy, remain Albania's main trade partners. During 2017, the share of neighbouring countries such as Kosovo, Serbia, Macedonia and Montenegro saw relative growth, due to high exports of "Food" and "Construction materials and metals" towards these destinations. Concerning farther destinations, the shares of Sweden and Estonia increased related to the higher export of some categories of processed food towards them.



The sectorial structure of imports remains more diversified. With the exception of "Machinery, equipment and spare parts", whose share resulted relatively high during 2017 (around 21% of total imports), the other categories show similar contributions, such as "Foods, beverages, tobacco," "Construction materials and metals", "Chemical and plastic products". Imports of "Textile and clothes" (around 14% of the total imports) were also important, due to the raw materials imported for products that were then re-exported. As far as import partners are concerned, the European Union countries, in particular Italy and Greece, maintained the main shares. Significant contributions also came from other partners like Turkey and China. During 2017, the shares of Serbia and Russia saw relative increase. This is related to increased imports of fuel, electricity and grains, especially during 2017 H2.

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

The contraction of net exports deficit also contributed to the contraction of the current account deficit during the first nine months of 2017. The positive developments are mainly related with the services account. On the other hand, the trade in goods deficit expanded mainly due to the impact of imports. Regarding income sub-accounts, net surpluses declined, in the case of both primary and secondary income.

The profile of financing the current account deficit continues to be based on non-debt creating foreign currency flows, in the form of foreign direct investments and capital account inflows. Financing by debt-creating flows resulted somewhat lower compared to the previous year. At the end of 2017, the stock of foreign currency reserve assets was sufficient to cover 6.9 months of imports of goods and services and 166% of the short-term external debt.

Foreign debt stability indicators have improved

Foreign debt stock registered EUR 7.85 billion in 2017 Q3, down by 0.4% compared with the previous year and was assessed at 68.6% of the nominal GDP. In structural terms, government debt dominates with around 43.7% of the total, followed by debt related to direct investments at 22%. In maturity terms, long-term debt dominates at around 79.7%. Regarding instruments, loans and investments in foreign currency and deposits constitute around 70.6%. The share of portfolio investments is somewhat low.

In terms of stability, the long-term repayment ability indicators improved during 2017. The ratio of debt stock to the exports of goods and services was around 174.5% at the end of 2017 Q3, while in the previous year, this ratio stood at 212.1%. At the same time, the ratio of debt stock to fiscal revenue marked 246.9%, compared with 272.9% registered in the previous year.

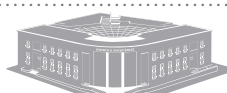


Table 2 The main macroeconomic and financial indicators

	2013	2014	2015	2016	2017*
Annual average inflation					
Headline inflation (in %)	1.9	1.6	1.9	1.3	2.0
Core inflation (in %)	0.2	0.1	-0.2	0.2	0.8
Economic growth					
Real GDP growth (annual, in %)	1.0	1.8	2.2	3.4	3.9
GDP pro capita (EUR)	3,323	3,443	3,556	4,043	
Labour Market¹					
Participation rate in the labour force (15-64 years)	59.6	61.5	64.2	66.2	66.6
Unemployment rate (15-64 years)	15.9	17.5	17.1	15.2	13.9
Fiscal sector					
Budget balance (including grants, in % of GDP)	-5.0	-5.2	-4.1	-1.8	-2.0
Budget revenues (in % of GDP)	24.2	26.3	26.6	27.5	27.5
Budget expenditure (in % of GDP)	29.2	31.4	30.6	29.3	29.5
Public debt (in % of GDP)	70.4	72.0	73.1	72.4	69.6
Domestic (only central government)	44.3	43.3	39.9	39.6	38.3
Foreign (only central government)	26.1	28.6	33.1	32.8	31.3
External sector					
Current account (official transfers exempted in % of GDP)	-9.3	-10.8	-8.6	-7.5	-6.4
Imports of goods (fob, in % of GDP)	31.5	31.6	29.9	30.8	31.6
Exports of goods (fob, in % of GDP)	11.1	9.4	7.5	6.6	7.1
FDI inflows (in % of GDP)	9.8	8.7	8.7	8.7	8.3
International reserve (in EUR million, end of period)	2,015	2,192	2,880	2,945	2,994
Monetary and financial sector					
Repo rate (end of period)	3.0	2.3	1.8	1.25	1.25
M3 aggregate (annual growth, end of period)	2.3	4.0	1.8	3.9	0.3
Credit to the private sector (annual growth, end of period) ²	-1.4	2.0	2.4	3.1	3.2
Deposit/GDP ³	72.4	73.0	72.9	74.2	70.9
Credit/GDP ³	38.0	37.5	37.5	37.5	36.5
12-month average yield	5.2	3.4	3.3	1.8	2.4
ALL/USD average exchange rate	105.7	105.5	126.0	126.0	119.1
ALL/EUR average exchange rate	140.3	140.0	139.7	136.1	134.2
NEER	113.7	112.1	113.8	110.2	105.0
Banking Sector					
Non-performing loans ratio/total loans (%)	23.5	22.8	18.2	18.2	13.2

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

*Data on economic growth for labour market and the external sector are from 2017 Q3.

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

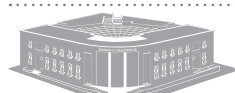
2/ The data is adjusted for written off loans.

3/ GDP assessment for 2017.

FINANCIAL MARKETS AND MONETARY INDICATORS

Financial markets were characterised by low interest rates, downward risk premiums, and low volatility during 2017. The accommodative monetary policy was transmitted to reduced financing costs for the private sector. In the foreign exchange market, the national currency continued to appreciate, reflecting the decrease of risk premiums and the improvement of foreign currency inflows and outflows balance.

Despite low financing costs, banks' credit to the private sector maintained moderate growth rates, due to the still low demand of economic agents for financing as well as the conservative lending policies by the banking sector.



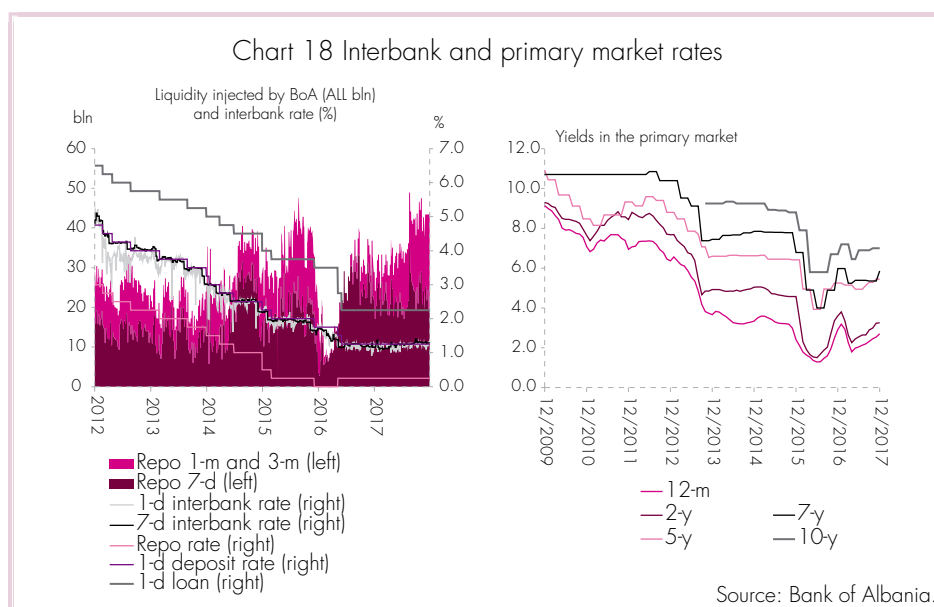
On the other hand, the low interest rates for households' savings has not affected the growth of deposits in banks, but has been reflected in the shift of their structure towards extreme maturities.

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

Liquidity management by the Bank of Albania has been successful. The increase of demand for financing by the banking sector is accompanied with the increase of the volume of liquidity injected by the Bank of Albania and the extension of its average maturity term. The interbank rates ranged closer to the policy rate and showed lower volatility compared with the previous year. The trade volumes in this market remained unchanged from the previous year.

Yields on Government securities increased slightly in 2017

Yields on Government debt securities, T-bill and bonds, showed a more stable performance in the primary market, following significant fluctuations in late 2015 and in 2016. After decreasing in the first months of the year, they started to increase moderately, reflecting a prudent borrowing policy by the government. The 12-month yield resulted 2.4% in average during the year, from 1.8% in the previous year. The yields increased almost uniformly for all maturities, while the yield curve gradient remained unchanged compared with the previous year, thus showing unchanged risk premiums related with the monetary and fiscal policy orientation.



Interest rates on loans in lek decreased for private enterprises

The accommodative monetary policy has been reflected in the reduction of banks' financing costs in the last years, which has enabled the transmission of the monetary stimulus to credit interest rates. Along with this factor, the reduction of credit risk and the improvement of banks' balance sheets have allowed banks to lower interest margins, balancing yields growth over this period.

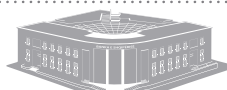
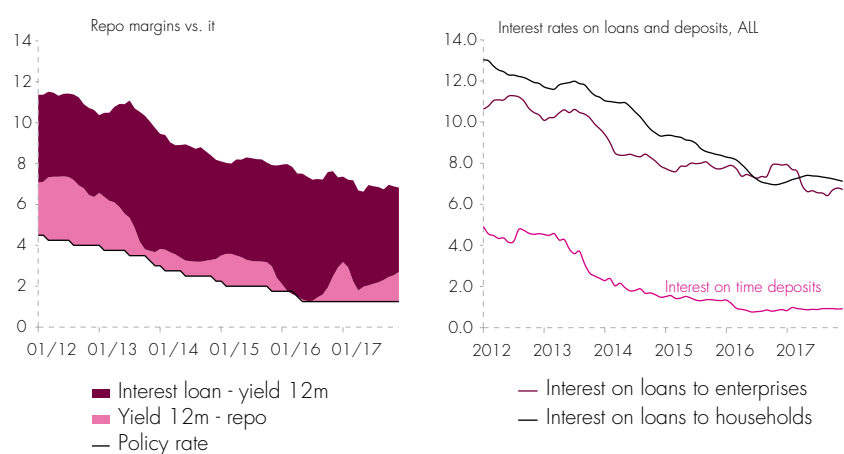


Chart 19 Interest rates in lek



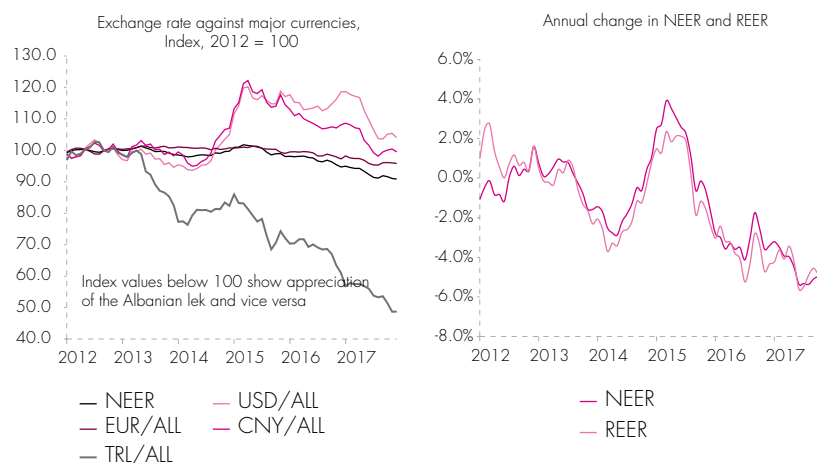
Source: Bank of Albania.

The reduction of interest rates has been present in the credit to enterprises, whose average interest rate decreased from 7.6% in 2016 at 6.7% in 2017. The interest rate on credit to households resulted at 7.3% this year, remaining close to the average levels of 2016.

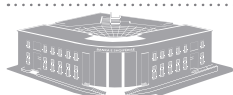
The Albanian lek appreciated further during 2017

The national currency continued to strengthen against the currencies of the main trade partners during 2017. The appreciating trend of the lek, started at the end of 2015, has reflected the decrease of risk premiums in domestic financial markets, the acceleration of real economic growth, the decrease of the current account deficit and the high foreign currency inflows from foreign direct investments. The appreciation intensified during 2017 H1, due to the plentiful foreign currency supply in the market, as a result of the rapid increase of exports and higher flows of foreign direct investments (for more information, see Box 3).

Chart 20 Developments in the exchange rate*



Source: Bank of Albania.



During 2017, one euro was traded at ALL 134.2 on average, or 2.3% less than in the previous year. The appreciation of the lek against the euro accelerated in 2017 Q2 and Q3, while the EUR/ALL rate appeared stable in Q4. The USD/ALL rate continued to follow the EUR/USD rate in international markets. The positive developments in the euro area economy in 2017 H2 rapidly strengthened the euro and of lek against the US dollar. From June to the end of the year, the US dollar was traded around 12% cheaper than in the previous year. The lek also appreciated against the other two main currencies, the Turkish lira, and the Chinese renminbi. In effective nominal terms¹⁷, the annual appreciation of the lek resulted at 4.5% on average in 2017, from 3.2% in 2016. Real appreciation resulted close to the nominal one, due to approximation of inflation in Albania with the average inflation of trade partner countries.

BOX 3. THE EXCHANGE RATE APPRECIATION - DETERMINING FACTORS AND IMPLICATIONS

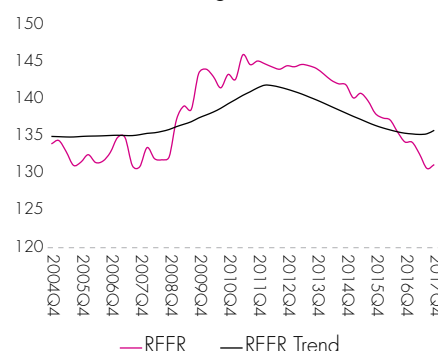
After almost five years of stability, the lek has appreciated during the last two years. This appreciation peaked in 2017 Q3. Although the Bank of Albania follows an inflation targeting monetary policy and a free regime of the exchange rate, it dedicates particular attention to the analysis of the exchange rate, due to its important role in the economy.

Our analyses show that the exchange rate appreciation reflects both the impact of long-term factors and the temporary impact of short-term factors.

In the long run, based on the available models and empirical studies of the Bank of Albania, the value of lek is assessed as being overall in line with the performance of its determining macroeconomic factors.¹ Thus, the long-term exchange rate appreciation trend reflects the difference of the marginal productivity of the Albanian economy compared with our trade partners and the reduction of structural risk premiums in the Albanian economy.

On the other hand, the appreciating exchange rate resulted from short-term shocks as well, which have led to faster appreciation of the currency than that dictated by fundamental long-term factors. These short-term shocks derive from the rapid improvement of the external balance of the economy - or, in other

Chart 21 EUR/ALL exchange rate in real terms and its long-term trend*



*The real exchange rate trend represent the exchange rate level that is determined by the ratio of demand and supply derived by structural or long-term factors such as competitiveness between countries, difference in return on capital, structural risk premiums, etc.

Source: Bank of Albania.

¹⁷ The nominal effective exchange rate (NEER) is calculated against the currencies of the five major trading partners (Italy, Greece, Germany, Turkey and China), using the relevant market shares. For the purpose of calculating the lira/lek and the renminbi/lek rates, the official reference rates remain those of the Turkish lira and the Chinese renminbi against the US dollar. The real effective exchange rate (REER) is calculated similarly to the nominal, but it considers the domestic inflation and those in the trading partners, as well.



words, the rapid contraction of trade and current account deficits at the end of 2016 and the first three quarters of 2017 - and, in parallel with it, the increase of inflows in the financial account, which have corresponded with the peak of foreign direct investments.

As shown in the Chart 21, our analyses suggest that the exchange rate has performed overall in line with its fundamental factors. However, although to a small extent, deviation from this trend were noted during 2009-2016, when the real exchange rate was weaker than that dictated by fundamentals, and in 2016-2017, when this rate was stronger than the theoretical level defined by fundamentals. (In any case, given the sensitivity of the results to the econometric analysis, the conclusions derived by such assessments should be treated with caution.)

The appreciation of the exchange rate is assessed to have produced a downward impact on inflation, due to the decrease of the price of imported goods, whether they are for consumption or intermediate use purposes.

On the other hand, the assessment of the impact of this appreciation on economic activity is more complex. As long as the long-term appreciation trend of the exchange rate reflects the effect of real fundamental factors and not unexpected shifts of financial portfolios, it does not cause adverse consequences for the Albanian economy. This appreciation is a characteristic feature of emerging economies during the convergence stage with more developed trade partners. Also, temporary deviances from long-term equilibrium do not have significant or durable consequences. By contrast, great and long-term deviances from equilibrium tend to produce more serious impact on the economic activity.

In any event, fluctuations of the value of the national currency are inevitable in a free exchange rate regime. For this reason, the Bank of Albania has continuously brought this to the attention of the economic operators, to avoid open and unhedged foreign exchange positions and to increase the use of the national currency.

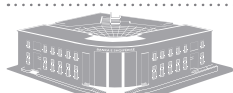
* The balance rate and deviations against it are studied by Hoda, B., (2012), "The balance exchange rate in a developing economy" Bank of Albania, Paper 04(54) and Vika, I., Luçi, E., (2011), "The balance rate of lek against euro: How deviated it is" Bank of Albania, Paper 07(30)

Lending improved slightly during the year, supported by loans in lek

Credit to the private sector¹⁸ expanded moderately in 2017. Excluding the impact of loan write off, the credit portfolio increased by 3.3% during 2017, compared with 3.1% in the previous year.

At the end of the year, the banking credit portfolio reached 36.5% of GDP, or 1 percentage point lower than the previous year. The contraction of this ratio is affected mainly by settlements and restructuring of banks' credit portfolio, in accordance with the plan of measures for reducing non-performing loans, as

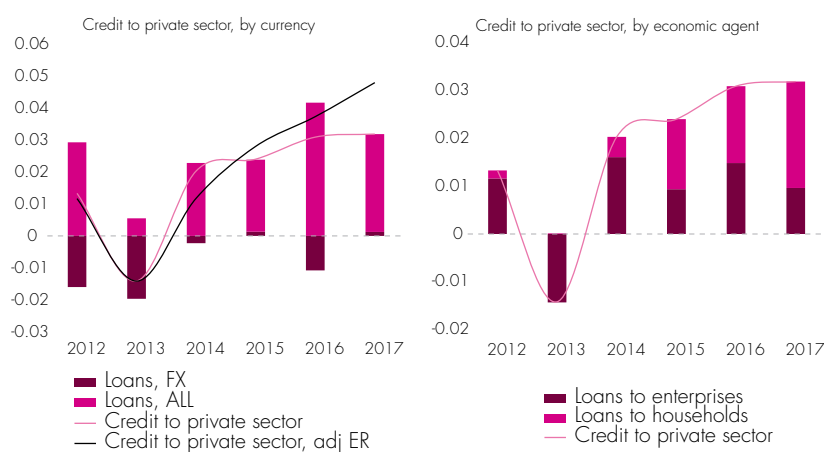
¹⁸ Credit data are adjusted for written off loans and refers to monetary data that include credit to residents. Written off loans registered ALL 16.7 billion in 2017.



well as by the appreciation of the exchange rate, which has decreased the value of the credit portfolio in foreign currency.¹⁹

Low interest rates supported the growth of credit in lek during 2017, whose annual growth at 7.2% is the main contributor to the expansion of credit to the private sector. Unlike in the previous year, the expansion of loans in lek served mostly for households' financing. Credit to households improved its annual growth pace, registering 7.1% in December. Meanwhile, the annual expansion of 1.4% of credit to enterprises is lower than in 2016, driven by the weak performance of loans for liquidity and the slowdown of growth of loans for investments. The dynamic of credit to enterprises continues to reflect both the sluggish demand for financing and the banks' reluctance to ease lending standards.

Chart 22 Credit to the private sector (annual change in %)



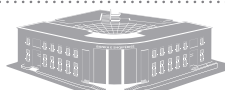
Source: Bank of Albania.

BOX 4. CHANGES TO THE CREDIT STRUCTURE OVER THE YEARS

Banks' credit portfolio grew rapidly before the crisis and slowed down significantly after it. This behaviour reflected the performance of the Albanian economy, the credit demand, as well as the fluctuations of banks' credit supply. In particular, the contraction of the post-crisis credit supply reflected the decline in their risk appetite, as well as the policies applied by parent banks on the activities in the region.¹

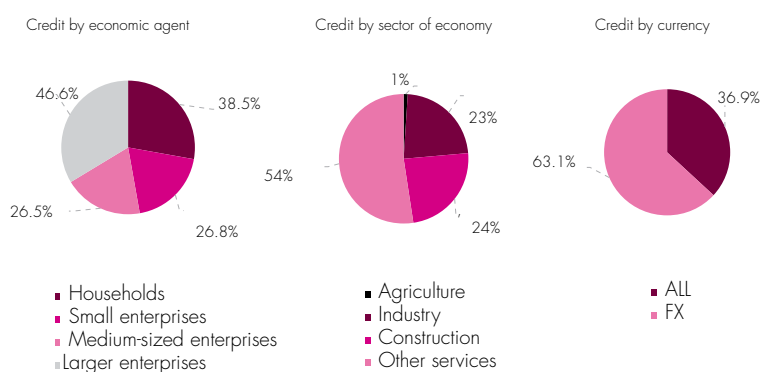
Beyond the growth profile of the total portfolio, credit performance also showed important structural changes. These changes conditioned the structure of bank credit and, potentially, also affected the pace of its expansion.

¹⁹ Adjusted for the appreciation of lek against other currencies, the annual growth of credit to the private sector is around 5%, improving from 2016.



The bank credit portfolio was characterised by three distinct features in 2004-2008: it had a significant concentration in the enterprises' segment (61%), in foreign currency lending (71%), and in construction and services sectors' lending (78%). The expansion and concentration of credit portfolio in these sectors was dictated by their high demand for credit, as well as by the favourable policies applied by the banks.

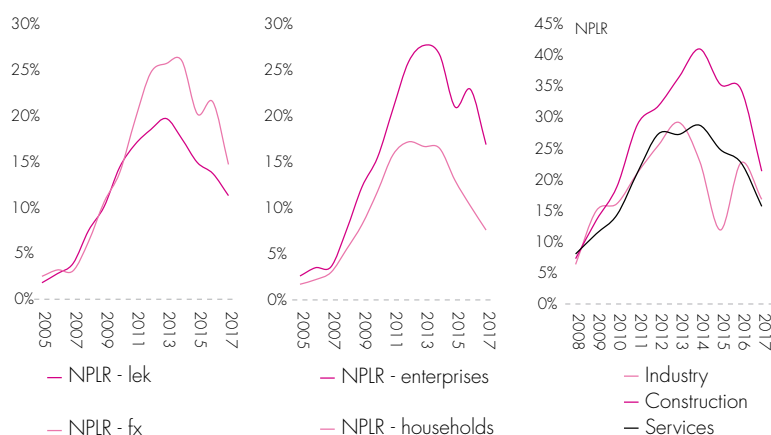
Chart 23 Structure of pre-crisis banks' credit portfolio (data refers to 2008).



Source: Bank of Albania.

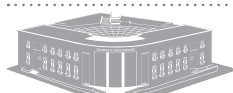
The slowdown of economic activity in Albania and the pre-crisis depreciation of lek against foreign currencies were reflected in the overall increase of non-performing loans. However, the underestimation of business and financial risks associated with exchange rate fluctuations, as well as the relatively high exposure of these segments to bank credit, resulted in a proportionally faster increase in non-performing loans in the above-mentioned segments. The non-performing loans ratio peaked in 2014 with 26% for foreign currency credit, 28% for credit to enterprises, and 41% for credit to the construction sector.

Chart 24 Non-performing loans ratio by main categories



Source: Bank of Albania.

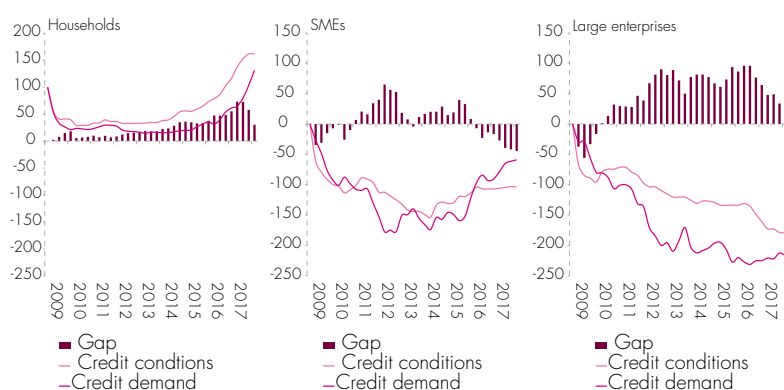
These developments had two significant consequences.



First, the lessons learned from the post-crisis period have re-oriented banks' policies on the distribution of bank credit towards:

- Credit in the national currency. This shift is driven by the awareness of economic agents on the exchange rate risk as well as by the decrease of interest rates in lek. In the credit portfolio sub-segments, long-term credit for investments, for both enterprises and households, has shifted most towards lek. The high increase of loans in lek has contributed to the shift of the credit portfolio towards a more balanced currency structure.
- Credit to households, as well as to small and medium-sized enterprises. In the framework of banks' conservative approach towards credit to enterprises, credit standards have been more favourable for small and medium-sized enterprises. Also, banks have preferred to expand the portfolio of credit to households, perceived by them as a lower risk and under-credited segment. This credit is assessed also as favoured by the measures taken to increase formalisation in the labour market.
- Credit to the industrial sector. The preference for lending to this sector reflects the growth in demand, as well as the low level of the use of by them.

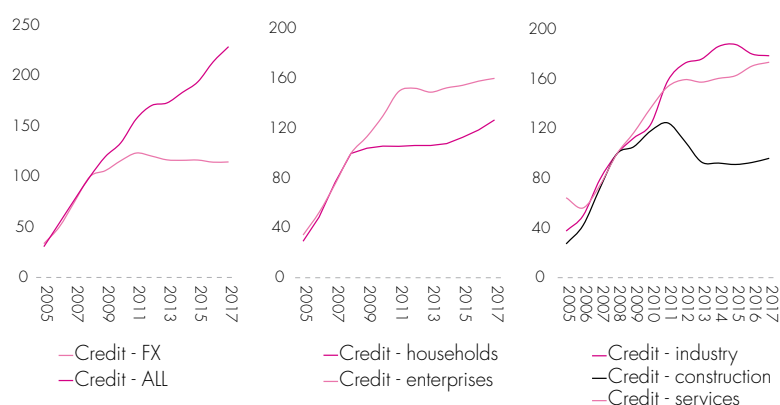
Chart 25 Credit standards, credit demand and the spread, responses' balance, p.p.*



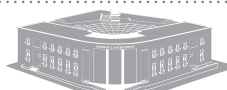
*Credit standards and demand are cumulative since 2009 Q1.
Source: Bank Lending Survey, Bank of Albania.

The dynamics of the credit portfolio pre- and post-crisis are presented in Chart 26.

Chart 26 Credit portfolio by main segments (2008=100 index)



Source: Bank of Albania.



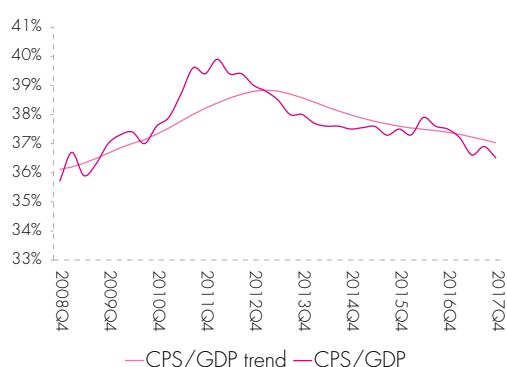
Second, they have curbed the speed of post-crisis credit improvement. On one hand, the need for restructuring the existing credit portfolio, the development of internal analytical capacities, as well as the deterioration of banks' financial balance in response to the high level of non-performing loans, have led to a decrease of bank credit supply. On the other, the need for improving balances and restructuring the business model of the Albanian economy has curbed the expansion of bank credit demand.

Given the above, the completion of the restructuring process of credit will help increase the speed and improve credit stability in Albania.

¹ For more see Box 5: "The impact of demand and supply in credit performance".

BOX 5. THE IMPACT OF DEMAND AND SUPPLY ON CREDIT PERFORMANCE

Chart 27 Credit/GDP ratio and its trend (in %)



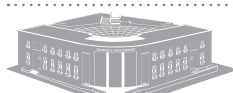
*Trend calculated with the Hodrick-Prescott filter.
Source: Bank of Albania.

The growth of credit to the private sector continued to record low rates during 2017. Our periodic analyses and empirical studies have sought to explain the factors determining this phenomenon. Analyses suggest that credit performance reflects both the sluggish expansion of credit demand and the slow recovery of bank credit.

The decline of demand immediately after the crisis reflected the overall economic slowdown, as well as the over indebtedness of some sectors of the economy. On the other hand, the tightening of supply reflected, initially, the liquidity problems of parent banks and, later, the increased credit risk in response to the overall slowdown of the economic activity. These two indicators have improved during the last years, although credit demand seems to have improved faster than supply.¹ These developments are reflected in a negative gap of credit to the economy, which suggests that, in the presence of a more elastic credit supply, lending in Albania would be slightly higher.

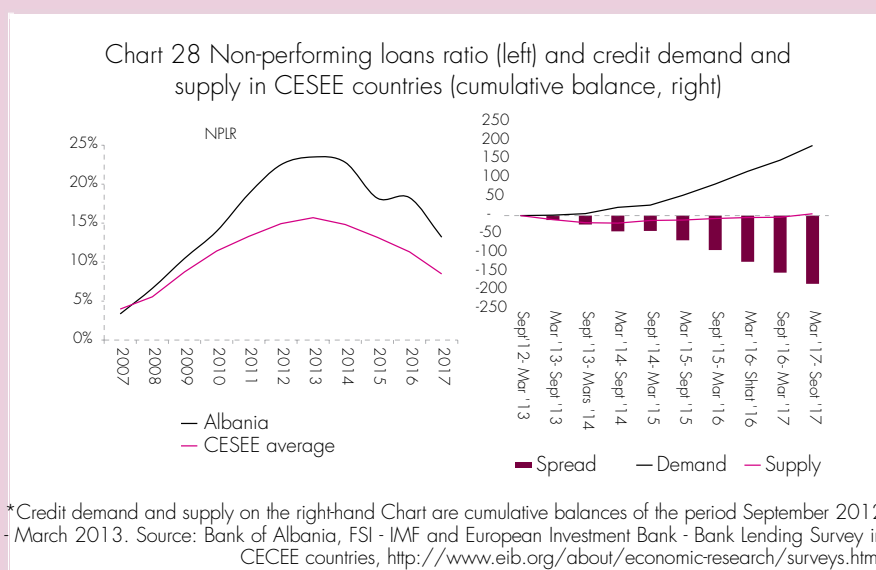
The slowdown of bank credit supply is explained through three factors:

- First, the growth of non-performing loans. The rapid expansion of the portfolio of these loans and the issues the banks faced with collateral execution affected the two dimension of credit risk: the perceived probability on non-repayment of the loan and potential loss of the bank in such an event. This factor reduced the banks willingness to lend. At the same time, the orientation of banks' attention to address existing non-performing loans further reduced their credit supply.
- Second, the overall deleveraging of foreign banking groups and the increase of their risk aversion after the Greek crisis further contributed to the reduction of the bank credit supply¹. The parent bank's tightening policies are not necessarily linked to Albania's specific risk, but reflect more the parent's risk profiling and readiness for exposure to certain regions (group of countries).



- Third, the changes made in the European regulatory framework of banking supervision in 2013ⁱⁱⁱ strengthened the requirements for liquidity and capital of parent banks, limiting their space to increase the exposure in the region, even dictating the need to partially withdraw from region.

Chart 28 illustrates graphically the performance of the above factors over time. While the level of non-performing loans and credit risk in Albania continues to decline, the other two factors - of foreign origin - continue to affect the tightening of credit supply, mainly among European banks operating in Albania.



ⁱ See for example "Box 4: Lending - an assessment of the impact of credit demand and supply" in the Annual Report of the Bank of Albania, 2016.

ⁱⁱ Note, S. and E. Suljoti, 2017, "Evaluation of bank credit definers in Central and South East Europe countries" Paper of the Bank of Albania, 24 (83).

ⁱⁱⁱ The so-called CRD IV package contains the Directive 2013/36 / EU and Regulation (EU) No. 575/2013, which lay down higher bank liquidity and capital requirements in order to create adequate reserves of European banks to cope with crisis situations.

The supply of money in the economy showed moderate growth, reflecting, on one hand, the weak demand of economic agents for financing and, on the other, the structural changes in currency holdings

The supply of money in the economy registered moderate annual growth rates, particularly in 2017 H2. Broad money continues to be conditioned by the still sluggish financing of the private sector and by the structural changes on the liabilities side, dictated by the shift of deposits towards above two years maturity and government securities.²⁰ The time structure of money has shifted towards the liquid component, due to the rapid expansion of demand deposits.

²⁰ Both these components are not included in the calculation of monetary aggregates.

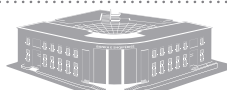
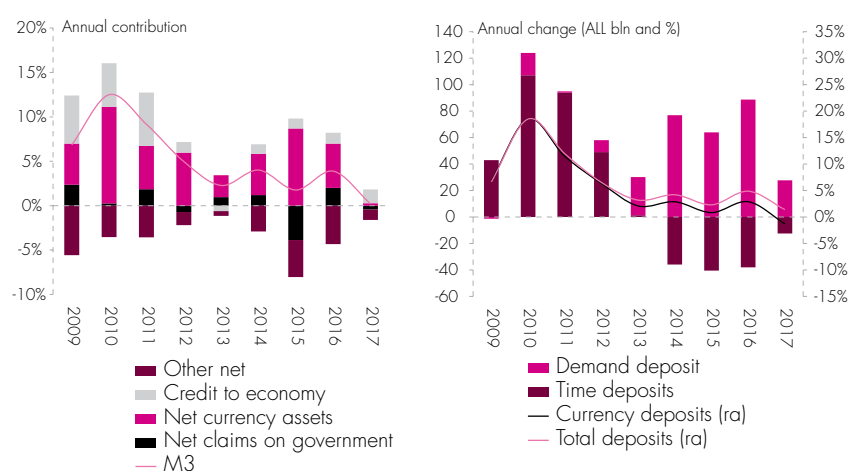


Chart 29 Monetary supply and deposits in the banking system



Source: Bank of Albania.

Deposits at the end of the year resulted 1.5% higher than the previous year.²¹ Their stock was assessed at around 71% of GDP. Deposits in foreign currency expanded faster, driven by inflows from abroad throughout the year. Deposits in lek registered a moderate growth, reflecting the low creation of money in lek. Alternative instruments outside the banking system have also attracted part of households savings, partially affecting the performance of deposits from households (for more, see Box 4). Households deposits overall registered a positive performance during the year.

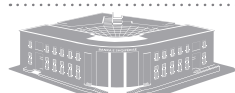
BOX 6. STRUCTURAL CHANGES OF MONEY IN THE ECONOMY

The pursuit of an accommodative monetary policy by the Bank of Albania has lowered interest rates across all financial market instruments. In parallel, the interest rates of financial instruments in foreign currency are also at very low levels due to the aggressive monetary policy pursued by the European Central Bank and the Federal Reserve. In addition to the positive impact of this development on bolstering economic activity, it was accompanied by structural changes in money holding in the economy.

The economic agents have reacted in two different ways to this environment with low interest rates.

- *First, a part of savers have preferred to shift their financial savings from time deposits to current accounts and demand deposits. This category of savers has preferred the added liquidity introduced by these instruments, while the opportune cost of this shift is at low levels. Current accounts and demand deposits constitute around 42% of the total deposits stock in the banking system¹ at the end of 2017, or around 2 percentage points higher than the previous year.*

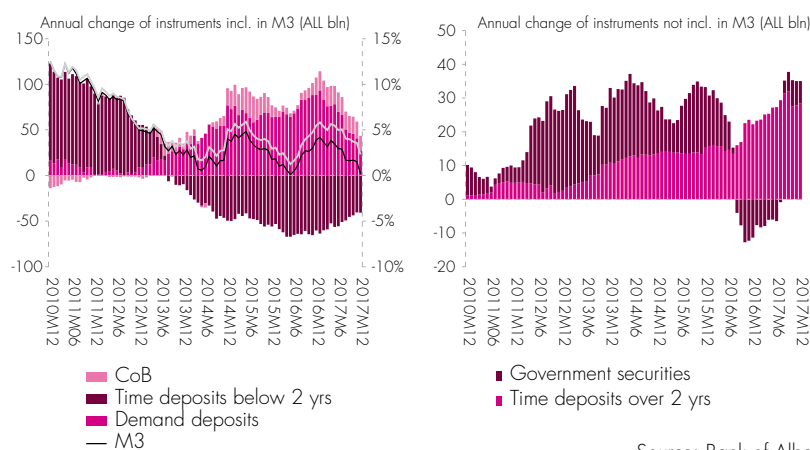
²¹ Regulated for the impact of the exchange rate, they registered a 2.4% growth.



- Second, a part of savers have preferred to shift their savings in time deposits with over two year maturity. In search for higher profit margins, this category has accepted the decrease of liquidity of their savings. Time deposits with over two year maturity constitute around 10% of the total deposits stock, registering 2.5 percentage points growth in 2017.

These developments have affected directly the structure of money. The expansion of demand deposits has had an impact on the growth of liquid components of broad money, while the shift towards deposits with over two years maturity, which statistically are not included in the calculation of the M3 aggregate¹, has affected its decrease. As a consequence the M3 monetary aggregate registered an average annual growth of 2.6% during 2017. Adjusted for deposits with over two years maturity, this indicator registered an average rate of 4.6%, but overall preserving the downwards trend of its growth pace.

Chart 30 Annual changes in instruments included/not-included in the calculation of the M3 aggregate



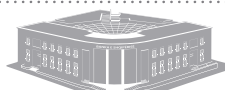
Source: Bank of Albania.

At the same time as these developments, some of the deposits of households have been shifted to financial instruments outside the banking system, namely in public debt securities. During 2017, yields on securities have increased and has stirred the interest to invest in them. Also, offering long maturity instruments and attractive rates serves as an additional incentive for shifting deposits to these instruments. Households' investments in securities increased by around ALL 6.6 billion during 2017. The decrease of time deposits under two years maturity in the banking system and their shift in these instruments has further affected the decrease of the growth pace of broad money.

¹ In the deposits' analysis are also included time deposits with over two years maturity.

² The Bank of Albania follows the methodology set by the IMF for the statistical construction of monetary indicators. Broad money in the economy is measured by the M3 aggregate, which excludes time deposits with over two years of maturity. For more on compiling monetary statistics, please refer to the following address:

https://www.bankofalbania.org/web/pub/Metodika_e_SMF_Banka_e_Shqiperise_Korrik_2003_902_1.pdf



2.2 MONETARY OPERATIONS IN THE MONEY MARKET

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

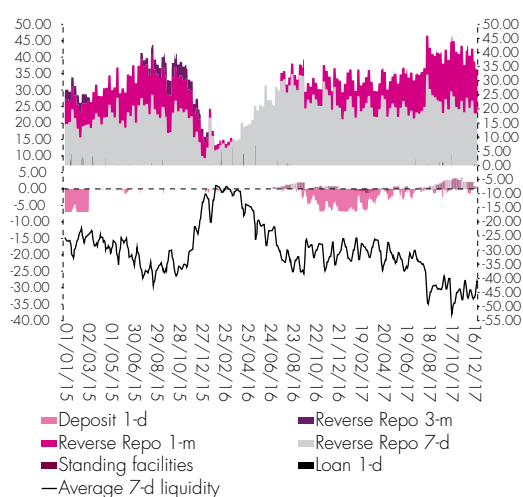
OPEN MARKET OPERATIONS

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

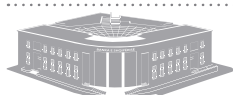
During 2017, the overnight interbank rate was rather close to the policy rate, at 1.22%, averaging 0.03 percentage point lower than the 0.07 percentage point average, every year in the period 2014-2016. Also, the one-week interbank rate stood close to the policy rate, on average 0.02 percentage point below the policy rate, against 0.06 percentage point in the two previous years. Interests on one-week transactions floated in a relatively broad interval, 1.05% - 1.52%. The last two years trend, when structural surplus of liquidity in a part of the banking system has driven liquidity trading in the interbank market below the policy rate of the Bank of Albania, persisted in 2017, mainly in the first months of the year. As at end-2017, the overnight and one-week interbank rates averaged 0.02-0.03 percentage point higher than the Bank of Albania's policy rate. Liquidity trading for maturities longer than one week continues to be rather sporadic.

During 2017, the average injected liquidity by the Bank of Albania through temporary liquidity injection operations increased ALL 34.40 billion on average, after an average ALL 25-30 billion in 2014-2016. The need for liquidity by the banking system maintained an upward trend throughout 2017, averaging ALL 38.70 billion in December. The increase of liquidity shortage in the banking system drove the Bank of Albania to gradually increase the share of long-term injections with maturity 7-91 days, on average

Chart 31 Banking system liquidity



Source: Bank of Albania



39.40% of total injections, against the 19.30% average during 2016, the lowest usage of long-term injections since 2009.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Main instrument	55%	58%	74%	55%	60%	64%	55%	80.7%	61.6%
Long-term injections	45%	42%	26%	45%	40%	36%	45%	19.3%	39.4%

Source: Bank of Albania.

During 2017, the Bank of Albania has carried out structural operations, purchasing 12-month Treasury bills and maturing 3-month and 6-month T-bills, due to the changes in the structure of issues of the Ministry of Finance and Economy. The total amount of T-bills purchased by the Bank of Albania was ALL 9.3 billion, during 2017, while the holding of the government securities fell by ALL 500 million, compared with the end of 2016.

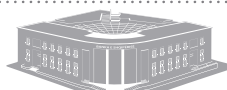
Standing facilities

Standing facilities – overnight deposits and overnight loans - at the Bank of Albania are instruments available to commercial banks to manage liquidity on a daily basis and to define a corridor in which interest rates fluctuate in the interbank market. This corridor narrowed in 2016, from 3.50 percentage points to 2.50 percentage points and, since the last cut of Bank of Albania's policy rate in May 2016, the overnight deposit stands at 0.25%, and the overnight loan at 2.25%, unchanged during 2017. During 2016, the overnight deposit was used continuously by banks, but at lower amounts, from the average ALL 5.5 billion in 2017 Q1, at less than ALL 1.0 billion in 2017 Q4. The overnight loan was used in 20 cases, over 2017. This figure is similar to that in 2016, 25 cases; meanwhile, the average used amount fell at ALL 1.1 billion, from ALL 1.7 billion in 2016.

Required reserve

The level of the required reserve is applied to the amount corresponding to 10% of deposits up to two years of the commercial banks, denominated in lek, euro and US dollar. The required reserve in lek is a monetary policy instrument that aims to adjust liquidity in the banking system and stabilise the interest rates. The Bank of Albania allows banks to use up to 40% of the required reserve in lek on daily basis, while observing the obligation to keep the monthly average level of the required reserve not lower than its defined level. The performance of the required reserve has been in line with the performance of the deposits that are subject to this instrument.

The remuneration ratio on the lek required reserve reflected the performance of the Bank of Albania's policy rate (70% of the policy rate). Starting from September 2016, the banks pay for the required reserve in euro an interest rate equal to the deposits rate of the European Central Bank. This interest rate remained unchanged during 2017, and was negative at -0.40%. The



remuneration rate on the required reserves in US dollars has been 0%, since 2011.

The remuneration rate on the surplus reserves in lek and US dollars remained 0% during 2017, unchanged from the previous year. On the other hand, the remuneration rate on the surplus reserves in euro has changed since 2016. It was determined at 0.25 percentage point lower than the deposits' interest rate of the European Central Bank.



2.3 FINANCIAL STABILITY

Financial stability is crucial for sustainable growth. The Bank of Albania has the exclusive right to implement the monetary policy, to supervise the banking sector and the authority to apply the resolution tools and to exercise the resolution powers. The Bank of Albania has a crucial role in safeguarding financial stability in Albania, in collaboration with other authorities.

For the purposes of exercising its function to safeguard financial stability, the Bank of Albania defines the financial stability as a situation in which: a) the financial system exercises financial intermediation and risk management by assisting the public and economic entities in conducting financial operations related with savings, borrowing and payments; and b) financial institutions are resilient to unfavourable financial shocks in their activity.

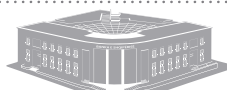
The spectrum of Bank of Albania operations for its contribution to financial stability includes also the compilation and implementation of a macro-prudential policy. The purpose of this policy is, through macro-prudential instruments (mainly regulatory and prudential ones) to act for preventing and mitigating systemic risks, and to strengthen financial system capacities to prevent or cope with these risks.

To assess systemic risks, definite objectives are laid down and financial indicators of financial system (banking sector) and real economy are monitored. The performance of these indicators is analysed regularly, through statistical techniques and experts' opinion, to note the trends and levels of risk.

The Bank of Albania regularly informs the public, every six months, on the financial situation and the risks to banks and financial institutions it supervises, through the Financial Stability Report and the Financial Stability Statement. The Financial Stability Report assesses the risks arising from the developments within the financial system and from its interaction with the internal and external real economy. The financial system's resilience against risks is tested through the stress test.

FINANCIAL STABILITY HIGHLIGHTS DURING 2017

The Bank of Albania considers that, overall, the activity of the banking sector and of the financial system has been stable during 2017. Stress-test results show that the banking sector's resilience to operational risks is good. The domestic and external developments in the real economy have contributed to the positive performance of banking sector indicators.



Global and regional economic developments were positive during 2017. Economic growth was faster in both emerging and advanced economies. Overall, inflationary pressures remain subdued, although in advanced economies they showed recovery. Also, in Albania, economic growth till 2017 Q3 affirmed the positive trend of the recent years. Maintaining of favourable financing conditions and continuation of accommodative monetary policies supported economic growth both in Albania and abroad.

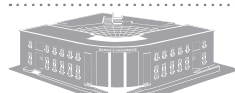
The Albanian banking sector continues to dominate the financial system, but its share to GDP fell slightly in 2017 H2, due to the difference in the growth rates in the GDP and the banking sector's balance sheet. Banking sector's assets recorded a modest growth, with the growth rate slowing down throughout 2017, due to the slowdown in the increase of both customer and securities transactions.

The net financial result of the banking sector improved considerably during 2017, driving profitability indicators up. The main positive contribution to the financial sector's performance has come from the decline in credit risk provisions. Meanwhile, although remaining the main item in the total income from the activity, net interest income continued to drop. The reduction in provisions for credit risk reflects the considerable fall of non-performing loans. The fall in net interest income shows that intermediation is carried out amid low interest rates, where the decline in interest expenditures (with positive effect) did not offset the fall in interest income (with negative effect). The capital adequacy ratio stood at 16.6% at the end of 2017, up by around 0.2 percentage point from a year earlier.

The indicators employed by the Bank of Albania to monitor the performance and accumulation of systemic risks, overall, have reflected decrease of risks to financial stability over 2017. From the macroeconomic aspect, the improvement is attributable to the economic growth recovery, the positive developments in the labour market, the improvement in current account deficit, fiscal performance and the improved debtor position of enterprises. In banking sector activity, the improvement of indicators reflects the fall of non-performing loans, the improvement of the financial result and the good levels of capitalisation and liquidity.

Credit risk continues to be significant for the activity of banking sector

During 2017, the level of non-performing loans fell considerably as a result of banks' actions to collect, restructure and write off lost loans from banks' balance sheets. During 2017, the outstanding non-performing loans shrank by 27% and their ratio stood at 13.2% at end-2017, against 18.2% at end 2016. Credit quality improved across all maturities. Meanwhile, currently, the lowest quality in non-performing loans is noted in the foreign currency credit, credit to enterprises and credit with longer-term maturity. The reduction of non-performing loans is



accompanied by the improvement of their coverage with capital, while the coverage with provisions, overall, remained stable. These developments are expected to positively affect credit supply, through the improvement of banking sectors' perception of lending, and the release of banks' resources previously engaged in the management of non-performing loans. The commitment of banks to early restructuring supports the further reduction of the outstanding non-performing loans, and a better control of their new flows. Regardless of the significant improvement against the average level of the last 3-4 years, the level of non-performing loans in the banking sector is estimated as still high. In addition, the non-performing loans unhedged against exchange rate volatility, notwithstanding the slight fall during 2017, still account for 25% of total credit.

The risk of the banking sector from exposure to exchange rate and interest rates volatility remains present.

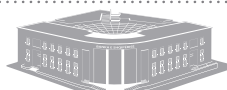
The size of the direct impact from the exchange rate fluctuations on the banks' balance sheet is directly related with the size of the net open foreign currency position of the banking sector. The higher this position is as a ratio to regulatory capital, the higher is the expected direct impact of exchange rate fluctuations on the banking sector's balance sheet. During 2017, the banking sector's net open position in foreign exchange, driven mainly by the larger banks, maintained the "long" position and ranged within long-term levels. This position was down during 2017 H1, and slightly up during 2017 H2, albeit remaining below the level in the previous year, and below the average of the two previous years. This shows a limited exposure of the sector to the direct exchange rate risk. On the other hand, the indirect exposure against the exchange rate fluctuations has remained at high levels, due to the still high share of unhedged loans against exchange rate fluctuations²² against outstanding credit (25%), and against the total credit in foreign currency (44%). While both ratios fell slightly during 2017, the Bank of Albania deems that banking sector should continue the efforts to reduce exposure steadily.

The banking sector remains exposed to interest rate volatility when the mismatch between interest rate-sensitive assets and liabilities, by repricing periods, is relatively high. Also, a possible increase in interest rates in the future may drive to a pressure for a fall in repayment capacity of borrowers that have variable-rate loans.

The high use of foreign currencies in the banking sector is accompanied with market and liquidity risks

As at end 2017, foreign currency deposits at the banking sector accounted for 53% of total deposits, while foreign currency credit fell at 56% of total credit portfolio. The low interest rates environment affected the performance of the indicators, but the possible change of this environment may re-introduce

²² The credit unhedged against the movements in the exchange rate is the loan granted in a currency different from the borrower's dominated currency income.



channelling resources in foreign currency towards lending in foreign currency. If this were followed by an unfavourable movement in the exchange rate, the borrowers' repayment capacity for unhedged loans in foreign currency would fall; this would drive to a weakening of the financial situation and liquidity of the banking sector. For these reasons, it is necessary that the exposure in foreign currency of both the banking system and customers take place in compliance with prudential requirements, and be limited only for customers that have natural protection against market risks.

Liquidity risk in the banking activity remains low

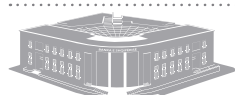
The liquidity ratios, both in lek and in foreign currency, monitored on on-going basis by the Bank of Albania, stand significantly above the minimum regulatory requirements. Deposits are the main source of financing, whose value is almost double higher compared with the outstanding credit granted by the banking sector. The growth of the share of demand deposits and current accounts in the structure of financing sources is a development that requires attention. As at end 2017, demand deposits and current accounts together shared 42% of total deposits, from 40% in the previous year. The considerable share of demand deposits drives banks to maintain high levels of liquid assets, and seek higher return through longer-term investments or be exposed to high-risk products.

THE EFFECT OF MACRO-PRUDENTIAL MEASURES IMPLEMENTED BY THE BANK OF ALBANIA

Given the considerable slowdown of credit growth pace, the fast increase of banking sector investments in non-resident financial entities, and the overall fall of credit quality, the Bank of Albania has undertaken a package of counter-cyclical measures since 2013, which aimed at: a) removing the capital requirements in cases the annual growth of capital stock is within the interval 4-10%; b) increasing the capital requirements on the additional banking sector's investments with non-resident financial entities; and c) changes related to the requirements for standard credit restructuring. Measure (a) was repealed at the end of 2016, while measures (b) and (c) remained in force, as amended, till the end of 2017.

The measure which stipulates an increase of capital requirements when investments with non-resident financial entities increase, during the two-year moving period, resulted with a fall of the annual growth of investments with non-residents, at 1% in 2017, from 25% at the beginning when this measure started to be applied.

Measure (c), stipulates the restructuring of credit since the stage the credit is classified as regular, but the borrower has started to show the first problems in repaying the credit, and the reduction from six months to nine months of the time in which the restructured credits may turn into standard credit, as far as



the borrower has regularly paid three credit instalments (principal and interest). Restructuring aims to maintain the borrower's solvency and the quality of credit. If the restructuring takes place under these conditions, the credit continues to be classified as regular, but is subject of a higher provisioning rate than 10%, compared to the rates of 1% and 5% of standard and sub-standard credits provisioning. A quantitative assessment of the size of this measure's effect shows that the ratio of non-performing loans fell by around 1 percentage point, and excluding the effect of this measure, this ratio would have been 14.2% at the end of 2017.

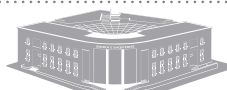
ACTIVITIES AND NEW PRODUCTS DURING 2017

In 2017, the Bank of Albania was engaged in some important projects for the financial stability. In more concrete terms: the Macro-prudential Policy Strategy was drafted and approved in August 2017; the financial cycle and capital reserves for systemic risks were determined; and the strategy for increasing the use of the national currency in the activity of the financial system and real economy was drafted, consulted and finalised.

The macro-prudential policy is dedicated to the systemic risk analysis, and includes the implementation of measures, mainly prudential measures, aimed at mitigating and minimising the systemic risk. The macro-prudential measures contribute to safeguarding financial stability in two aspects: a) preventing the accumulation of risks in the financial system; and b) strengthening the resilience of the financial system. The Macro-prudential Policy Strategy²³ shall be a guideline of future measures and activities of Bank of Albania. It features the intermediate objectives of macro-prudential policy, a list of instruments for addressing the systemic risks, a set of indicators to signal the risk level and the implementation of a certain instrument, a description of the decision-making at the Bank of Albania and inter-institutional coordination, and the principles of public communication on the macro-prudential policy.

In parallel, the phases of a financial cycle and the concept of capital reserves in the banking sector for systemic risks have been determined. Defining the financial cycle is a difficult, but indispensable process to operationalize some of macro-prudential policy instruments. The global financial crisis in 2008 showed risks accumulate during the boom phase of a financial cycle. In this phase, the financial system should strengthen its positions of capital and of various reserves, in order to withstand the potential losses arising as a result of the change in direction (decreasing) of the financial cycle. Also, in 2017, the indicators of various risks, in particular of credit and liquidity risks, were identified. The determined levels of these indicators, which serve as signals for the implementation of macro-prudential instruments, will be assessed through the statistical methods.

²³ The Macro-prudential Policy was approved with the Decision No. 38, dated 02.08.2017 of the Supervisory Council of the Bank of Albania.



In the Programme of Economic Reforms 2016-2018, the Albanian authorities were committed to preparing a strategy on increasing the use of the national currency (ALL) in the Albanian financial system and economy, known as the de-euroization strategy. This commitment was triggered by the need to improve the effectiveness of the economic and financial policies and to decrease the risks to financial stability. In terms of macroeconomic policies, a high level of euroization, or use of foreign currency, leads to the reduction of the monetary policy effectiveness; limits the role of the free exchange rate as an automatic stabilizer in the case of macroeconomic shocks; and, undermines the fiscal policy effectiveness through the possible increase in the cost of debt service and unwanted change of its structure. In addition, unhedged borrowing in foreign currency and its possibility to contribute to the fall in asset quality, the deterioration of the financial situation and liquidity of the banking sector are important challenges to the financial system stability.

The Bank of Albania collaborated with the Ministry of Finance and Economy and the Financial Supervision Authority to establish the strategy. The three institutions approved the Memorandum of Cooperation on 18 April 2017, which was immediately released²⁴. According to the Memorandum, the signatory parties commit to identifying, in the respective areas of competence and in a harmonized manner, the relevant actions, including communication with the public.

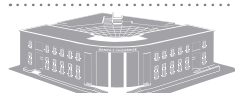
In 2017 H2, the Bank of Albania committed to real steps in the framework of the de-euroisation strategy. It prepared the Policy Document "On increasing the use of the national currency (ALL) in the activity of banks and non-bank financial institutions, subject to the Bank of Albania regulation and supervision"²⁵ and compiled regulatory amendments, to make more costly the activity of the banking sector in foreign currency and strengthen the mechanisms awareness-raising of borrowers, mainly those unhedged against the exchange rate risks, on the risks surrounding the foreign currency borrowing. In addition to the commitment for maximum transparency on every decision and action committed, the Bank of Albania will collaborate with the banking industry and other authorities that supervise the financial markets in Albania.

Notably, this package of measures, part of inter-institutional strategy:

- does not aim to reduce to zero the use of the foreign currency in the activity of banking sector; given the characteristics of the Albanian economy and financial system this is objectively impossible, and in terms of the economy it would be rather costly. It aims at decreasing euroisation at average levels of economies with a similar size and structure;

²⁴ At the signing moment the name of the "Ministry Of Finance and Economy" was the "Ministry of Finance".

²⁵ The Policy was adopted by Decision No. 9, dated 07.02.2018 of the Supervisory Council of the Bank of Albania.



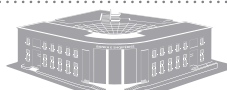
- does not pose administrative restrictions to banks and their clients; it only provides the stimulus for banks to gradually increase the use of national currency in their activity;
- does not have additional costs to banks in the medium term, and does not considerably affect the exchange rate, whose performance is determined by a set of factors of demand and supply;
- after the Memorandum of Cooperation, the package of measures of the Bank of Albania was subject of prior discussions with the banking industry throughout 2017, in a transparent and detailed way. The Governor of the Bank of Albania had public interviews about this package, and it was discussed in the Financial Stability Report 2017 H1;
- other measures may be included in the package, coordinated among the signing authorities of the Memorandum, if they become necessary from the monitoring of certain performance indicators.

BOX 7. MEASURES OF THE BANK OF ALBANIA IN THE FRAMEWORK OF DE-EUROISATION STRATEGY

Research by national and international authors evidences the considerable level of euroisation in the Albanian economy and financial system. These studies analyse the reasons and risks, and highlight that this phenomenon needs to be addressed to control the risks to the financial stability of economic entities, which are exposed to unfavourable shocks in the foreign currency flows and exchange rate, in order to safeguard financial stability and enhance the effectiveness of the economic and financial policies. Taking into account the characteristics of its economy and trade relations, Albania will have an euroisation level higher than zero. The last joint study between the International Monetary Fund and the Bank of Albania, among others, has aimed to quantify the target level of deposits in foreign currency against the broad money indicator for Albania, by comparing the monetary and economic indicators of Albania with those in countries of similar size and structure of the economy¹. After finding that the level of that indicator needs to be reduced, the study evidences that the return of euroisation to "optimal" level may be achieved over time through: (i) maintaining economic and monetary stability; (ii) differentiating the remuneration rates of deposits in foreign currency; and (iii) applying targeted prudential measures to limit the credit to unhedged borrowers against the exchange rate risk.

Referring to the above analysis, and in the framework of inter-institutional strategy to address euroisation, the Bank of Albania adopted some measures that include:

- *Drafting the policy document of the Bank of Albania for increasing the use of the national currency in the activity of banks and other institutions, which are regulated and supervised by it. This document determines the way the Bank of Albania will contribute in this process, and how it will assess the effect of this contribution;*
- *Raising the borrowers' awareness on the risks that accompany the foreign currency borrowing, in particular when it is unhedged against the exchange rate risk; in this framework, banks should be required to provide the potential borrowers with an alternative loan in lek, and*

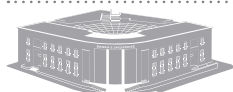


provide the borrower with an example that shows the way how the loan instalments change in case of a hypothetical strong depreciation of lek exchange rate.

- Increasing the minimum requirement for liquid assets in foreign currency, as a ratio to short-term liabilities in foreign currency, at 20%; for lek, this ratio stood at 15%;
- Increasing the required reserve rate for deposits in foreign currency at 12.5% (from 10%), if the ratio of the deposits in foreign currency to total deposits is not higher than 50%; and at the level 20% for that part of deposits in foreign currency that exceeds the level 50%; lowering the required reserve rate in lek at 7.5% (from 10%) when the maturity term of the deposits is less than 12 months, and at the level 5% when the maturity term of the deposit is higher than 12 months (up to 24 months).

The Supervisory Council of the Bank of Albania approved the package of measures in its meeting on 7 February 2018. The measures shall enter into force, by stages, till June 2018.

¹ Della Valle, G., et al. "Euroization Drivers and Effective Policy Response. An Application to the Case of Albania". IMF Working Paper, WP/18/21.



2.4 SUPERVISION

Bank of Albania's supervision function is based on three pillars: licensing, regulation and supervision. The latter is carried out through off-site surveillance and on-site examinations. The constant supervision and regulation of financial activities in Albania, mainly of banking activities, are at the focus of this function and represent its main activity²⁶.

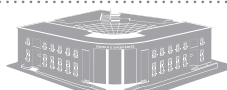
The supervision function at the Bank of Albania is exercised through: consistent improvement of the regulatory framework, in compliance with the European directives and best practices and market specifics; entry into market of sound financial entities by adding value to enhancing market competition; implementation of a continuous supervision, being materialised from on-site inspections and periodic analyses; implementation of effective corrective measures; and, cooperation with international supervisory and regulatory authorities, or other national authorities responsible for supervising financial entities. The constant supervision and regulation of financial activities in Albania, mainly of banking activities, are at the focus of this function and represent its main activities.

Through the supervisory function, the Bank of Albania aims at: ensuring a sound activity of the financial entities; increasing the contribution to strengthening financial stability; and enhancing the market discipline and fair competitiveness.

In this view, year 2017 marked a range of developments related to supervision and in the financial institutions supervised by the Bank of Albania. The supervisory practice improved regarding the methodology for controlling banks through approximation with Basel principles and efforts to adopt best international practices. These developments are based on the continuous review of the regulatory framework. The self-assessment process of banks on the internal needs for capital is one of the important developments that are expected to improve the management structure of banks. It increases the supervisory responsibility to adopt to these developments through the review of the internal methodology for the assessment of corporate governance. Considerable changes have taken place on anti-money laundering, through the review of the respective regulatory framework and the establishment of internal methodologies for assessing the risk profile of supervised institutions. The increased cooperation with the European Central Bank is expected to support these developments.

In addition, the banking system has improved the risk profile, while the non-performing loans ratio has fallen by around 5 percentage points, over 2017,

²⁶ The Bank of Albania publishes detailed data on the developments in the banking sector and the banking system and banking supervision process in the Supervision Annual Reports.



standing at 13.2%. Liquidity and capital are at adequate levels. Special attention is being paid to the consolidated process with the expected merger of two banks and the strategic plans on the re-positioning in the market, depending on the dominant short and long-term factors.

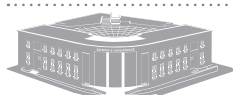
APPROXIMATION OF SUPERVISION PRACTICES

The preparation of the regulatory framework on the Internal Capital Adequacy Assessment Process (ICAAP) was one of the main highlights of supervision in 2017, regarding the approximation of supervisory practices with Basel principles and EU directives. This process is particularly important, as it complements the supervisory perspective with the self-assessment dimension of banks. It contributes qualitatively to establishing an objective risk profile for banks and, consequently, improves the risk-based supervision process.

The document that regulates this process is compiled in the framework of a guideline and in compliance with the Basel II Pillar 2, which sets out the criteria for the establishment of an internal process by banks to assess risks that are not covered by the existing regulation on capital adequacy. The document identifies the core requirements to assess additional risks and calculate additional capital to cover these risks according to the determined methods and those built by banks, based on the risk profile and their strategy. The Bank of Albania shall review the report of this assessment during 2018. The adequacy of control self-assessment environment for risk management and the relevant capital quantitative requirements will be discussed with banks.

In 2017, the project established in collaboration with the European Bank for Reconstruction and Development for the revision of the supervisory methodology in the qualitative assessment of banks' structures was implemented. This project considers the analysing and addressing the supervision of corporate governance elements for the established structures, the functioning and independence of bank committees, structures and functions of internal control structures of risks assessment. The development of this project is in the final stage; the areas that need to be reviewed for improvement are introduced and discussed in principle. A formalised assessment document with concrete recommendations is expected to be presented in the first quarter of 2018, with the purpose to adopt the improvements and render the reviewed framework in 2018 functional.

The Bank of Albania is preparing the regulatory framework for the approximation of Basel-III supervisory practices for the calculation of liquidity. The regulatory framework in compliance with the EU Directive was drafted last year, and, in parallel, the structure for the conduction of a prior exercise with banks on the calculation of the LCR (Liquidity Coverage Ratio) was established. This exercise aims the early identification of problems in its interpretation and the prior assessment of banks' position against this indicator. This process shall take place over 2018.



MONITORING AND ADDRESSING NON-PERFORMING LOANS

Non-performing pursued the downward trend of the last four years. In 2017, the absolute value of non-performing loans decreased more than a quarter, at 27%, lowering the relevant indicator at 13.23%, down by 5 percentage points in annual terms. The value of these loans remained in the balance sheet is provisioned at higher than 70%. The fall by around ALL 30 billion of non-performing loans in 2017, was driven by the writing off from the balance sheet of these loans, at ALL 16.7 billion, solution of large borrowers, the payment of arrears by the borrowers and the restructuring, by improving the classifications. Bank of Albania assesses that the non-performing loans ratio is still high and needs attention to further improve the falling trend, though the maintenance of the regular existing portfolio and the rather efficient solution of non-performing portfolio.

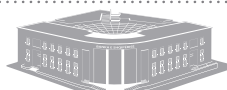
In this context, the fulfilment of the annual objectives of banks related with the performance of non-performing loans and the preparing of Recovery and Resolution Plans of large borrowers are specially monitored through the regular reports required to banks in 2017. The submitted information aimed at clarifying the level of the relationships with every borrower, as well as the exceptions and plans on future developments. They used to be subject of discussion with banks to find space for sustainable solutions and to expand this spirit throughout the system. This reporting will continue in 2018, through standardised reports and will serve as a base to start the regulatory framework for common borrowers.

With assistance of the World Bank and the International Monetary Fund, a regulatory framework, aiming to encourage the collaboration and coordination of banks for addressing common borrowers starting at an early stage of problems appearance, is being compiled. This framework determines encouraging elements to bring banks into a common denominator in their decision-making and the coordinated solution of the occurred problems, by providing the cooperation agreements among them and with the borrowers with the purpose the definition of the criteria and the way of collaboration. Currently, this regulatory framework is drafted and following the discussion with the banking industry, is expected to be approved in the first part of 2018.

The analysis quality of credit performance is improved through the detailing of the received data regarding the shift among classes by which the credits are classified, the factors that affect the performance of credit and by the main currencies where it is concentrated the lending activity. This way of analysing is tested and put in function in the last year and will continue on quarterly basis.

COOPERATION WITH FOREIGN INSTITUTIONS

The cooperation with the international supervisory authorities is considerably intensified, notably, the cooperation agreement between the Bank of Albania



and the European Central Bank. This agreement paves the way towards a stable collaboration through the share of common-interest information, of professional experiences and the decision-making coordination, an important step in the integration process of the Albanian institutions in the European Union structures. Meanwhile, Bank of Albania was invited to participate as observer in two supervisory colleges organised for Greek banking groups of international presence (including the Albanian presence) and in a targeted-inspection in one bank of EU origin. The shared information and the meetings with the homologue authorities in other countries contributed in the coordination of actions and supervisory measures, and in the establishment of a more clear profile for banks in Albania and in the relevant group. This collaboration is expected to continue in 2018 and further.

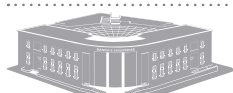
BANKING SYSTEM CONSOLIDATION

The consolidating trends of banking system being identified in the previous years, materialised in 2017, with the decision on the merging of Intesa SanPaolo Bank with Veneto Bank, mainly driven by the international developments and by the decision of the Bank of Italy and the European Central Bank in coordination with Intesa SanPaolo group in Italy, following the announcement on the bankruptcy of Vento Banking group. The merger by absorption of Veneto Bank is expected to end in 2018, while the banking system will have a lower number of banks. The Bank of Albania deems that there is still scope for further consolidation, expected to be materialised and is carefully monitoring all developments in this regard. This assessment is based on the interest stated by some banks to expand and shrinkage of some other banks due to the revision of presence banks in Balkans by the parent banks.

EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM PROCESS BY MONEYVAL

In 2017, important amendments were made to the regulation of the Bank of Albania for all institutions subject to its jurisdiction (banks, non-bank financial institutions, savings and loan associations, and foreign exchange bureaus) regarding anti-money laundering and financing of terrorism. The amendments consist in additional requirements for reporting by financial institutions of qualitative and quantitative data, according to a standardised form, on annual basis (including a questionnaire). The amendments, in addition to the problems identified in the implementation of the applicable legal and regulatory framework, aimed to address the implementation of international standards and the recommendations provided in the fourth round of Albania's evaluation by Moneyval's experts.

These amendments drove to the need to improve the supervisory framework for the above-stated institutions. The framework is completed with the compilation and approval of a methodology for off-site evaluation dedicated to the risk on



anti-money laundering and combating the financing of terrorism (AML/CFT) accompanied with a matrix of risk evaluation in this field. The off-site evaluation of AML/CFT risk is a crucial tool in supporting the supervisory process in accordance with a risk-based approach. Based on data reports for 2016, the Bank of Albania, for the first time, performed the evaluation of this risk exposure of the institutions, and currently is carrying out the second analysis based on the data reported by institutions for 2017. The results of this evaluation shall serve to the supervisory process focusing on institutions and activities that pose high risk in terms of AML/CFT.

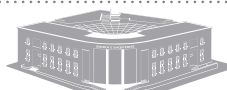
In 2017 Q4, the Committee of Experts on the evaluation of anti-money laundering measures and the financing of terrorism (MONEYVAL) carried out the fifth round of Albania's evaluation. The Bank of Albania was an important part of this process as the supervisory authority of the financial system, and was very active in completing the necessary information requested through both template forms and direct meetings. The CoE Moneyval Committee Experts evaluated positively the above-stated developments. Currently, the fifth evaluation round for Albania is in the drafting stage of the evaluation report by the experts and the final report with the respective recommendations is expected to be approved by this Committee within 2018 H1.

ON-SITE EXAMINATIONS

In 2017, 14 full-scope and partial examinations were performed in banks, non-bank financial institutions and savings and loan associations. In view of orienting the resources from activities that expose the entities more to risks, and in view of risk-based supervision purposes, the Bank of Albania visited three systemic banks, in 2017. Also, a large number of partial examinations were carried out in banks, while the attention was paid to the examination of non-bank institutions, whose number and share in the financial system has been increasing. The main objective of the examinations remains defining a complete risk profile for the licensed institutions.

In light of the above developments and factors, the main fields at the focus of 2017 examinations are summarised as follows:

In the **banking sector**, improvements are finalised regarding the internal framework, the compliance with the supervisory regulatory framework (in particular the reflection of the classification and establishment of provisions for the borrowers' exposure), the recovery of non-performing loans, the compliance with the regulatory indicators (capital and liquidity), etc. At the same time, the improvement of governance systems, the strengthening of the oversight role of the management bodies, and the increase of independence, effectiveness and preventive ability of audit systems remain important issues of supervision. In addition to the prudential increase of lending, the efforts to solve and recover the non-performing loans are assessed as well. The assessment of strategic



plans of banks, in terms of identifying the market expectations, the orientation of sources and the adoption of structures with these expectations, as well as the acceptability of the shareholder/parent bank's philosophy have been considered attentively. The careful addressing of bank activity expansion and the selected forms of investments with their complexity was part of this assessment. Also, the transparency with customers is always an important part of assessment and verifications throughout the on-site examinations.

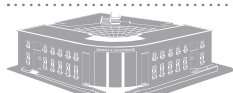
Regarding the **non-bank financial institutions**, the audit systems in these institutions still have room to ensure effectiveness, independence and the required authority. The improvement of information systems support would contribute in this regard. These factors are materialised in a higher level of deficiencies regarding the correct reflection of classification and provision funds to the exposures of borrowers, transparency issues with customers, etc. On the other hand, non-bank institutions are rather active, not only in increasing or combining the activities, but also in expanding the use of loan instruments (in addition to their capital) to finance the activity (debt securities, participation in national financing programs/development, borrowing from banks or international institutions, etc.). This trend is considered as a normal developing phase for these institutions, and the increase of stakeholders, investors, that analyse and monitor the activity of non-bank financial institutions are expected to contribute positively to the strengthening of governance systems and their control.

Some of the **savings and loan associations** were subject to examinations for the first time, after the conclusion of the consolidating process and separation from the Unions. Overall, the separation process has been carefully managed by the governing bodies of the associations, maintaining the positive pace of both the activity and financial results. On the other hand, they need to improve the internal framework of these institutions, the completion of operational units, the increase of the professional capacities of management bodies, the clear separation of tasks and responsibilities, etc. The response to the examination recommendations was positive, and within the established deadline.

At the conclusion of the examinations, recommendations on the necessary improvements were provided, and their implementation was monitored closely. Also, supervisory measures are applied on some institutions, for which recurring breaches of the regulatory requirements had been identified.

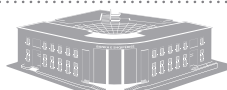
REVIEW OF THE LEGAL AND METHODOLOGY FRAMEWORKS

The drafting and the review of the supervision regulatory framework was aimed at supplementing and improving it, in order to ensure compliance with the applicable legal requirements and alignment with the directives and the regulations of the European Union (EU) and the standards of the Basel Committee, by continuously considering the identified problems and the suggestions of the



supervised institutions, provided through an on-going communication with them. The main regulatory changes are as follows:

- The Bank of Albania, with the purpose to complete the regulation on the supervision of banking groups that operate in Albania, realised the complete review of the Regulation "On consolidated supervision". This initiative considered all the provisions stipulated in the Law "On banks in the Republic of Albania" on consolidated supervision, as well as the requirements and principles laid down in the directives and the regulations of the European Union (EU), and the standards of the Basel Committee. This Regulation lays down the conditions, rules and regulatory requirements of conducting consolidated supervision, for the purposes of risk management deriving from a banking group and a financial group.
- The Regulation "On capital adequacy ratio" was partially reviewed, with the aim to continue the implementation of the measures that penalises (in terms of capital requirement) the placements of the banking sector with non-residents.
- To fulfil the recommendations of the Moneyval Experts Committee, provided in the last evaluation for Albania, and to resolve some issues concluded in the on-site supervision regarding the implementation of the requirements of the supervisory authority on the prevention of money laundering, the requirements set out in the Regulation "On the prevention of money laundering and terrorism financing" were reviewed and fulfilled.
- The Regulation "On the transparency for banking and financial products and services" was partially reviewed aimed at further strengthening transparency, addressing some problems manifested in banks regarding the transparency to customers, and further aligning it with the European Directive on consumer protection.
- The Regulation "On establishing the decision-making level in the supervision of banking and financial activities" was partially reviewed, with the aim to ensure the compliance with the decision-making process and its delegation, in particular the reflection of processes set out in the new supervision regulations on the savings and loan associations and their unions.
- The Regulation "On granting the license to non-bank financial institutions" and the Regulation "On risk management in the activity of savings and loan associations and their Unions", were simultaneously and inter-dependently reviewed. The amendments mainly consist in addressing some problems identified in the supervision process, also aiming some facilities for the institutions while carrying out their financial activity.
- In compliance with the requirements laid down in the Law 133/2016 "On the recovery and resolution of banks in the Republic of Albania", to complete the regulatory framework with regulatory acts, the existing guideline "On recovery plans" was completely reviewed. The new regulation "On recovery plans of banks", which replaces the applicable



guideline, sets out the supervisory requirements on the recovery plans of banks and banking groups, mainly the content of these plans the way and term to present these plans and their updating, the inclusion of a list of qualitative and quantitative indicators, as a very important integral part, as well as the criteria stipulated by the supervisory authority to assess them.

- The important process of the effective governance of banks and the approval criteria of banks' administrators were strengthened through the new requirements set out in the partially reviewed Regulation "On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators". The reviewed Regulation aims to align it with the recent requirements of the European Union regulatory acts on the good-governance and ensure compliance with the European Bank for Reconstruction and Development recommendations provided in the project on the assessment of the relevant legal and regulatory framework and supervisory practices applicable at the Bank of Albania. The amendments mainly consist in the new requirements of the supervisory authority regarding: the definition of risk appetite/tolerance and the capacity of banks' risk and the obligation to publish the appetite/tolerance statement as part of their annual report; the compilation of a special policy on the appointment of the Steering Council members of the bank; some additional requirements on the risk management unit/structure and the compliance structure/unit; the requirements to realise an analysis and self-assessment of the bank for the administrators proposed for approval, on the adequacy of professional knowledge with the proposed position; as well as the regular re-assessment process of administrators and, whenever deemed necessary depending on the circumstances, throughout the conduct of their function in the bank, etc.
- The Regulation "On internal audit system" was partially reviewed, to be adapted to the amendments in the Regulation "On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators", and aligned with the best practices on internal audit.



BOX 8. GUIDELINE " ON THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS "

The Bank of Albania Supervisory Council with the Decision No. 26, dated 3.5.2017 approved the guideline "On the Internal Capital Adequacy Assessment Process".

This guideline completes the three-pillar framework of the Basel Capital Accord, through the presentation of the detailed requirements for banks, already also for Pillar II - Internal Capital Adequacy Assessment Process (ICAAP). This guideline sets out the requirements for banks on drafting and implementing the ICAAP, as well as the expectations of the supervisor on the structure and content of the report of this process to be submitted at the Bank of Albania. The ICAAP is independently realised by the bank, and ensures the assessment of the current and future levels of capital adequacy, based on its risk profile and strategies.

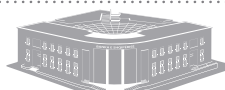
For the realisation of this process, the bank shall follow two steps: first, it shall determine the level of a specific risk they can undertake, in order to define their risk-bearing capacity and ensure adequate capital to cover this risk; and, second, it shall make a critical analysis of the risk level that is rational to undertake, taking into account all the possibilities and threats that correspond to this risk

The ICAAP process is fully based on the internal processes and systems of the banks that helps to manage and effectively control the risk profile and, consequently, to determine the necessary capital level. This process is oriented toward the quantitative elements of the risk management process - the assessment of internal capital requirements and of the capital for covering the risk, as well as its qualitative elements, created to strengthen the internal rules of management and control of the bank, which enable an effective management and mitigation of this risk.

Banks, in drafting ICAAP, shall consider at least the implementation of the following basic principles:

- a) *Responsibility.* The bank shall be responsible for the implementation and development of ICAAP.
- b) *Proportionality.* Banks shall implement ICAAP, regardless of their size and complexity. Each bank shall use appropriate tools and processes in its ICAAP, and shall prove/argument for the Bank of Albania that ICAAP is complete and appropriate for the risks arising from the activity and the environment in which this activity is conducted.
- c) *Materiality of risks.* ICAAP must be focused on risks that may have a material impact on the current or future capital adequacy situation of the bank.
- d) *Looking forward.* ICAAP shall focus on ensuring the bank's capital adequacy, taking into account future developments and its activity's performance.

Bank of Albania, based on the ICAAP carried out by the bank, will establish the Supervisory Review an Evaluation Process with the purpose to establish an overall opinion on the risk profile of the bank and of its needs for capital.



LICENCING AND APPROVALS

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

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

	2012	2013	2014	2015	2016	2017
Banks in Albania, of which:	16	16	16	16	16	16
Branches of foreign banks	-	-	-	-	-	-
Banks' ownership structure, by capital origin, of which:						
Majority foreign owned ¹	14	14	14	13	13	13
- EU ²	10	10	10	9	9	9
- Turkey ³	1	1	1	1	1	1
- Owned by IFIs (Saudi Arabia) ⁴	1	1	1	1	1	1
- Kuwait ⁵	1	1	1	1	1	1
- Swiss Confederation ⁶	1	1	1	1	1	1
Majority Albanian owned ⁷	2	2	2	3	3	3

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

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

³ National Commercial Bank

⁴ United Bank of Albania

⁵ Credit Bank of Albania

⁶ International Commercial Bank

⁷ Majority Albanian owned banks at the end of 2017 are: Union Bank, Credins Bank, and American Bank of Investments.

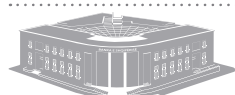
Source: Bank of Albania.

In 2017, the Bank of Albania approved: the transfer of the 100% of the ownership of shareholders' equity of a bank; the transfer of the qualifying holding to the shareholders' equity of a bank; and, three applications by banks for additional financial activities, established in the licensing annex were assessed and approved; the application of a bank to open an affiliate outside the territory of Albania, through the transformation of its branch into an affiliate.

Based on the regulatory and legal framework, 36 managers of banks were approved, by position classification: 16 members of the management board, 6 members of audit committees and 14 executive managers.

In 2017, the banks network was expanded only with two new branches, while banks have informed on the reduction of the number of branches/agencies in Albania (through merger or closure). At the end of 2017, banks carried out their activity through 473 branches/banking agencies, from 494 at the end of 2016.

Based on the submitted applications, the Bank of Albania decided on granting new licences and provided prior approval to **non-bank financial institutions**. Three new institutions were added to the number of non-bank financial institutions, mainly to conduct the activity of: lending (micro credit); financial



leasing; payment services; and money transfer. The number of licensed non-bank financial institutions was 31 at the end of 2017. Meanwhile, approvals to non-bank financial institutions included the prior approvals for two managers, and the approval to conduct additional financial activities for two institutions, and for the transfer of qualifying holding of capital quotes for three institutions. The licences of two non-bank financial institutions were suspended. One of them has turned active, after the ending of the suspension period.

The approval of the managers of **savings and loan associations**, as a requirement of the Law "On savings and loan associations and their Unions" and of the Regulation "On licensing and activity of savings and loan associations and their Unions" was a new development in 2017. Approval was granted for 5 chairs of steering councils of the savings and loan associations, 6 heads of audit committees of the savings and loan association, and 5 managers of savings and loan associations. Based on the legal and regulatory framework, in 2017, the reorganisation of savings and loan associations was finalised. The licence was revoked for one savings and loan association. As at the end of 2017, there were 13 savings and loan associations and 1 union of savings and loan associations

The licencing of **foreign exchange bureaus** continued in 2017: 39 new foreign exchange bureaus were licensed; 41 licenced institutions that exercised foreign exchange activity returned their licenses to the Bank of Albania for termination of activities. At the end of 2017, 426 foreign exchange bureaus conducted their activity in the foreign exchange market.

Table 5. Number of financial institutions licensed by the Bank of Albania (end of period)

	2012	2013	2014	2015	2016	2017
Banks and branches of foreign banks	16	16	16	16	16	16
Non-bank financial institutions	21	21	22	27	28	31
Foreign exchange bureaus	322	333	356	397	428	426
Unions of Savings and Loan Associations	2	2	2	2	2	1
Savings and Loan Associations	126	121	113	111	13	13

Source: Bank of Albania.



2.5 RESOLUTION

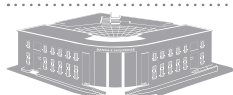
In 2017, the Law No. 133/2016 "On the recovery and resolution of banks in the Republic of Albania" entered into force. This Law designates the Bank of Albania as the Resolution Authority for banks and branches of foreign banks that conduct their activity in Albania.

Banking resolution is the process of restructuring a bank by the Bank of Albania through the resolution tools, in the framework of safeguarding public interests and financial stability. This resolution aims to minimize the impact of a bank, which fails to fulfil its obligations or is facing financial distress, on real economy, financial system and public funds in Albania. The Bank of Albania, as the resolution authority, may employ some tools to implement the structured resolution in a bank.

1. Sale of business implies either the partial or complete sale of a bank's business to a private entity.
2. Asset separation aims to transfer the assets, rights and liabilities of the bank under resolution to an assets management company, which is wholly or partially owned by a public authority.
3. Bridge bank implies the partial or whole transfer of the business of a bank under resolution, to a bank with public capital.
4. Bail-in aims the loss absorption by the shareholders and creditors of the bank, through the write down of shares and/or converting debt instruments in capital.

In March 2017, the Bank of Albania established the Resolution Department, as the responsible unit to accomplish the mandate of the Bank of Albania in this field. During the first year, the Resolution Department was committed in drafting the regulatory base of the legal obligations deriving from the Law No 133/2016 "On the recovery and resolution of banks in the Republic of Albania".

In the capacity of the resolution authority, the Bank of Albania is responsible for: compiling the bylaws for the operationalization of resolution; preparing the resolution plans, which aim to set out the way to intervene structurally in a bank; and the establishment of the resolution fund that will serve for the implementation of resolution tools available to the Bank of Albania. In 2017, the Bank of Albania has worked to fulfil the above-stated elements, as follows:



DRAFTING THE BY-LAWS

In September 2017, the Bank of Albania adopted the Regulation "On the organisation and functioning of the Resolution Department", by setting out the main functions of the department to accomplish the new function. The Regulation "On the Resolution Fund and the procedures for its management" was adopted in October 2017. This Regulation lays down the establishment of this fund and the set of procedures on the contributions and full management of this fund.

RESOLUTION FUND

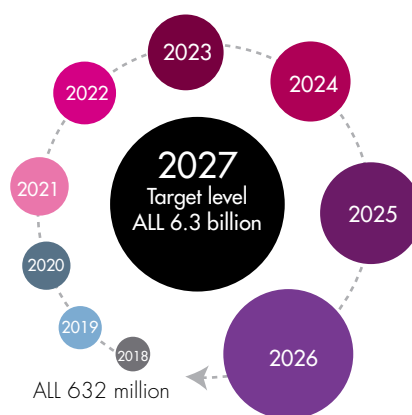
The "Resolution fund" was established for the implementation of the resolution tools by the Bank of Albania. The target funding level, 0.5% of total liabilities, calculated as the difference between assets and capital of all banks licensed in the Republic of Albania, to be reached by 2027. Banks pay regular annual contributions, for the achievement of the target level of the fund, within the term set out in the Law.

During 2017, the Bank of Albania compiled the methodology on the calculation of these contributions and the payment procedure for each bank. The first contribution into the "Resolution fund" was made in January 2018. In total, the target level of the "Resolution fund" stands at ALL 6.3 billion. To meet this level, the banking sector's contribution in the first year was ALL 632 million, which is paid proportionally to the share of each bank in the liabilities of the banking sector. The Bank of Albania calculates and updates the target funding level and the annual contribution the banking sector must pay, to adopt them to the latest developments in the banking sector's balance sheet. In addition to annual contributions, the "Resolution fund" may benefit also from extraordinary contributions of banks, loans, subventions, donations, etc.

The Deposit Insurance Agency manages the "Resolution fund" in compliance with the policy on the management of financial assets approved by the Bank of Albania. This policy sets out the procedures, criteria and limits of concentration and maturity implemented by the Deposit Insurance Agency with the purpose to guarantee the insurance of the fund's financial assets and to maintain a low risk profile and high liquidity.

According to the provisions laid down in the Law No. 133/2016 "On the recovery and resolution of banks in the Republic of Albania", the Resolution Fund may be used to: guarantee the assets or the liabilities of the bank under resolution, a bridge bank or an asset management company; provide with liquidity

Chart 32 "Resolution fund" and its buildup through annual contributions



Source: Bank of Albania



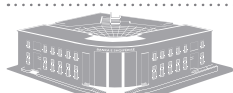
the bank under resolution, the bridge bank or the asset management company; purchase assets of the bank under resolution; contribute to capital and ensure other necessary funds to a bridge bank or an asset management company; compensate the bank under resolution for the uncovered loss arising due to the exclusion of eligible liabilities of certain creditors arising from the application of the bail-in tool; cover the costs for administration of the "Resolution Fund", etc.

PLANNING THE RESOLUTION

The drafting of resolution plans is one of the core functions of the new mandate of the Bank of Albania. The resolution plan is drafted for every bank and banking group operating in the Republic of Albania. The purpose of the resolution plan is to determine the critical functions for every bank; assess if a bank may be subject of resolution or be subject to mandatory liquidation; and prepare the steps to be followed if it is necessary to intervene in a bank.

Throughout 2017, the Bank of Albania has worked to draft the regulation on resolution plan, which lays down the resolution plan and the assessment of the possibility for resolution. This regulation, in compliance with the obligations set out by law, aims to set out all the steps for the resolution planning and to identify the actions to be undertaken and the measures to be implemented in the event a bank meets the conditions for resolution. Also, the resolution plan identifies whether there are any more impediments to the bank's resolution, and, if so, drawing up the necessary actions to remove those impediments.

For the drafting of individual plans of banks, in 2018, the Bank of Albania shall gather information on the governance and management of the bank's main activities, structure of liabilities, placed collaterals, off balance-sheet items, systems used by banks for payments, clearing and settlements, information systems, interconnections and financial dependencies, as well as contractual agreements that may be affected by the resolution actions.



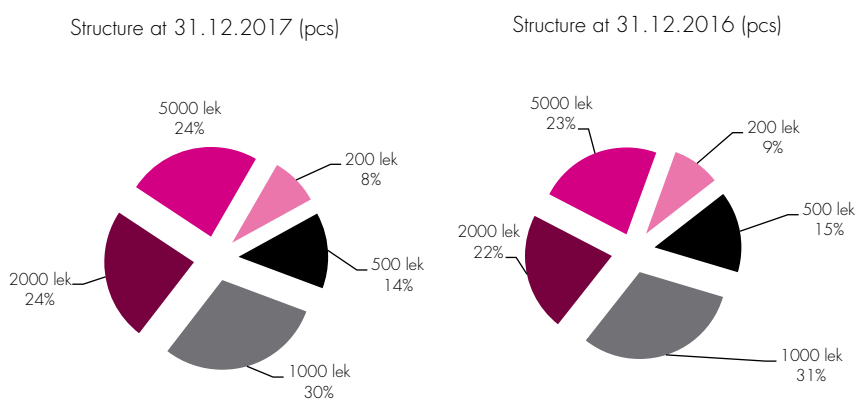
2.6 CURRENCY ISSUE

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 forms, measures, weights, model, and other characteristics of Albanian banknotes and coins of legal tender in Albania, as well as coins and banknotes for numismatic purposes.

BANKNOTES IN CIRCULATION²⁷

At the end of 2017, there were 134,319,471 banknotes in circulation, worth around ALL 270.248 billion. Compared with 2016, the number of banknotes in circulation increased by around 3.1 million banknotes, whereas their value increased by 5.75%. The change in these indicators is attributable to the continuing change in structure in favour of 5000 Lekë and 2000 Lekë banknotes. The average value of a banknote in circulation at the end of 2017 was ALL 2012, from ALL 1941 at the end of 2016.

Chart 33. Structure of banknotes in circulation

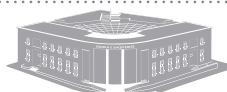


Source: Bank of Albania

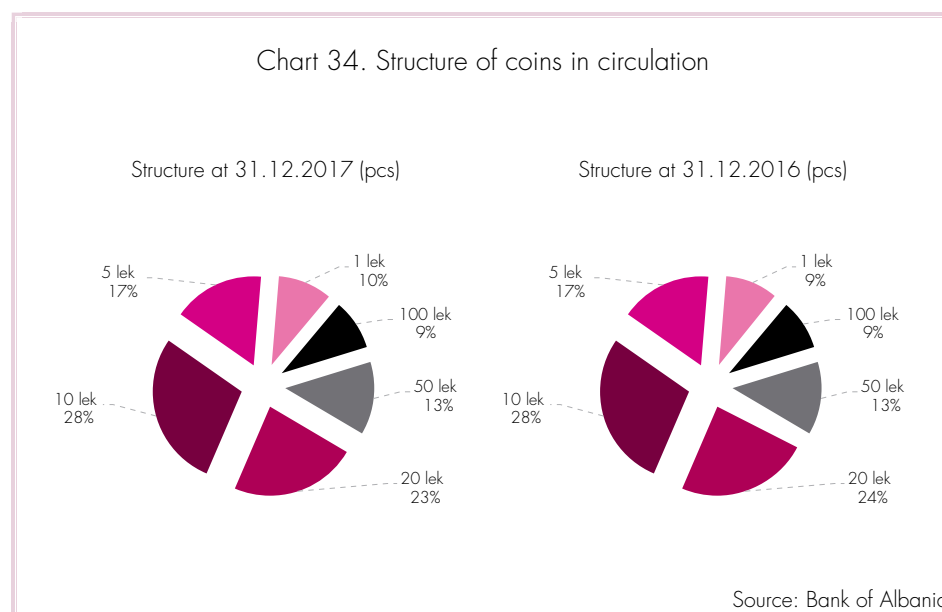
COINS IN CIRCULATION

At the end of 2017, there were 184,060,761 coins in circulation, worth ALL 4.437 billion. Compared with 2017, the number of coins increased by 7.9%

²⁷ It is the number and value of banknotes put in circulation by the Bank of Albania.



and their value increased by 8.2%. At the end of 2017, the overall coin to banknotes ratio was almost unchanged from the previous year.



INDICATORS OF CURRENCY IN CIRCULATION

At the end of 2017, the ratio of currency in circulation to the M2 aggregate was 38%²⁸, from 35% at the end of 2016. The circulation coefficient of the currency²⁹ in the Bank of Albania was 0.432 in 2017, from 0.412 in 2016.

RECIRCULATION AND QUALITY OF BANKNOTES IN CIRCULATION

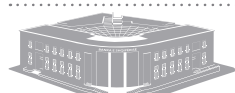
In 2017, around 109 million banknotes were processed, which were checked for authenticity and fitness for recirculation. From the process, around 23.4 million banknotes resulted unfit for use, and were withdrawn from circulation. The sorting rate³⁰ was 21.48%, from 22.16% in 2016. Unfit banknotes were replaced, on a case by case basis, with new banknotes. The banknote circulation coefficient³¹ for 2017 was 0.85, implying that a banknote is returned to the cash desks of the Bank of Albania, on average less than once a year. This rate is higher for 500 Lekë and 1000 Lekë banknotes (around 1.6 and 1.2, respectively) and lower for 5000 Lekë and 2000 Lekë banknotes (around 0.24 and 0.72, respectively), which shows that the latter are returned more rarely to the cash desks of the Bank of Albania.

²⁸ Note: it is the value for aggregate M2 based on preliminary official data for 2017.

²⁹ Ratio of the number of banknotes and coins returned to the Bank of Albania cash desks to the average annual number of banknotes and coins in circulation.

³⁰ Ratio of unfit banknotes and coins to the total number of banknotes and coins sorted in a year

³¹ Ratio of the number of banknotes returned to the Bank of Albania cash desks to the average annual number of banknotes in circulation.



ANALYSING THE STRUCTURE AND THEMES OF CURRENCY IN CIRCULATION

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

In 2017, the review of the banknotes series was approved, regarding the qualitative improvement of their design, by maintaining the existing theme, and the notable improvement of security features.

Also, in 2017, the theme on the new banknote of 10000 Lekë was determined. The obverse will feature the portrait of Asdreni, and the reverse the "National flag" and some verses from the national anthem.

PROTECTING BANKNOTES AND COINS AGAINST COUNTERFEITING

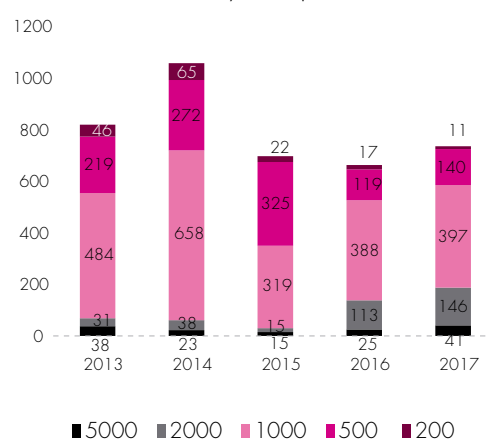
In view of safeguarding the integrity of the national currency, the Bank of Albania continued to work for increasing and upholding the quality of currency in circulation. Thus, the new national series is being prepared and approved for print. In this series, the security level of the existing security features is increased, and new security features are added, to strengthen the resilience of banknotes against counterfeiting.

Addition attention is paid to preventing actions, accompanied with the prudential monitoring of all cases of counterfeit banknotes and coins discovered in circulation, and the increase of capacities to prevent and protect currency from counterfeit, through training and preventive activities in the field of currency protection.

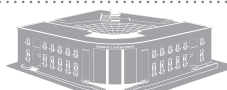
The quantity of counterfeit banknotes and coins discovered in circulation trended slightly up in 2017, compared with 2016. Overall, compared with the number of banknotes and coins in circulation, they remain insignificant. The number of counterfeit banknotes per 1 million banknotes in circulation was 5.7 banknotes, in 2017. Compared with the euro currency, this ratio is considerably lower.

By structure, the 1000 Lekë denomination has the major share in the total counterfeit banknotes and coins, followed by the 500 Lekë and 2000 Lekë denominations. In terms of counterfeit coins, the 50 Lekë coin has the main share, by 134 coins, but with a falling trend in years.

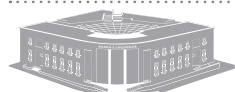
Chart 35. Counterfeit banknotes, over the years (pcs)



Source: Bank of Albania



In terms of techniques, the counterfeit national banknotes are reproduced by the digital colour printing technique, combined with the application of additive methods for the imitation of the security features.



2.7 PAYMENT SYSTEMS

The safe and effective operation of the payment systems, as the basis of the financial markets, is a crucial precondition for the implementation of the monetary policy, the financial stability and the overall economic growth. To achieve the objectives in the field of the payment systems, in 2017, the Bank of Albania has intensified the efforts to: promote their stability; and guarantee the safe and quick money circulation, and at low cost. In this regard, the Bank of Albania has taken measures to regulate and oversee the payment systems and their respective components, as well as take a more proactive role in encouraging initiatives by market actors.

PAYMENT SYSTEM OVERSIGHT

In the framework of further consolidation of payment systems oversight, in 2017, the Bank of Albania has implemented the international oversight standards on payment systems, which guarantee the safety of these systems. Also, it promotes their efficiency by supporting their extensive use by the financial markets and the economic agents, thus encouraging the formalisation of the Albanian economy and financial intermediation.

In more concrete terms, in 2017, the Bank of Albania has worked for the implementation of the Bank for International Settlements Principles For Financial Market Infrastructures³² and the Regulation of the European Central Bank (EU) No. 795/2014 "On oversight requirements for systemically important payment systems³³" with the support of the experts from the central bank of Italy and the World Bank. The assessment of payment systems based on these principles, and the measures for their implementation, support the safety and effectiveness of these systems in Albania, and promote the reliability of these systems internationally, and establish the necessary preconditions for adherence to the common European market.

In compliance with the mid-term development objectives, the Bank of Albania paid special attention also to the development and regulation of small-value payment systems and the instruments used in them. In 2017, the Bank of Albania worked on the adoption of the legal and regulatory framework with the Payment Services Directive. The establishment and implementation of this legal and regulatory framework will contribute to promoting competition in the

³² <https://www.bis.org/cpmi/publ/d101a.pdf>

³³ https://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_217_r_0006_en_txt.pdf



payment systems' market, boosting transparency for the provided services and consolidating consumer protection. Also, the aligning of the practices on the regulation of payments services market with the European ones is a crucial step regarding the integration and implementation of recommendations in the framework of the free capital movement and the adherence to the Single Euro Payments Area (SEPA). Finally, the establishment of the above-stated regulatory and legal base will promote the development of innovative services, always being developed under safe and effective terms.

In addition to the fulfilment of the above medium-term objectives, in 2017, the Bank of Albania has consulted continuously the banking system and the Albanian Association of Banks with the aim to promote the development of the payment instruments and market through discussions on the latest developments and the needs for regulatory amendments, which enhance the effectiveness of these systems and instruments.

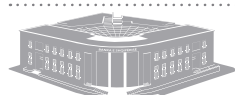
THE BANK OF ALBANIA AS A REFORMER IN THE FIELD OF PAYMENT SYSTEMS

The Bank of Albania, as reformer and catalyst, provides a crucial contribution to the development of the financial and payment markets to enhance the efficiency and credibility of these markets and of the relevant infrastructure. To accomplish this goal, the Bank of Albania uses its expertise in the field of payment systems and shares it with the market actors through regular consultations and coordinated meetings with representatives of the private and public sectors. In this regard, the Bank of Albania has continued to work for consolidating the inter-institutional collaboration through the National Payment Systems Committee (NPSC).

Through the Committee, the Bank of Albania has intensified the research activity at inter-institutional level aiming at increasing transparency and public awareness, as an important tool for promoting market development. In more concrete terms, in its meeting, the NPSC initiated a set of projects to research on priority issues in the relevant market, in collaboration with national and international institutions.

Also, in 2017, the Bank of Albania, in collaboration with the World Bank and the Minister of State for Diaspora, engaged in the field of remittances. In this framework, special attention is paid to the assessment of remittances market, and the efforts to increase the effectiveness of this important resource to the economy of Albania.

Finally, in this period, special attention is given to the interaction with various actors of the market and the parties that are interested to be involved in the Albanian market of payment systems and services.

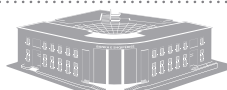


NATIONAL PAYMENT SYSTEM COMMITTEE (NPSC)

To promote the development of payment systems and instruments, the NPSC continued the efforts for the materialisation of the targeted objectives throughout 2017. In the meeting held in May 2017 a set of projects were initiated. These projects will contribute in establishing the necessary preconditions to promote the reformation of small-value payments market, and thus the use of electronic payment instruments.

In concrete terms, the NPSC member institutions were committed to:

- Promoting financial inclusion from the payments point of view. In this framework, the members were committed to the implementation of the recommendations, which aim to address the spaces identified in the report compiled by the World Bank in collaboration with the Bank of Albania for the financial inclusion from the payments point of view. The above Report analyses the market and addresses recommendations based on seven core principles: a) improvement of the applicable legal and regulatory framework; b) development and improvement of financial services infrastructure; c) expansion of payment account holding and of the use of their services; d) expansion of access points of these services; e) increase of financial literacy; f) increase of the volume of transactions processed in the payment systems; and g) the need for inter-institutional engagement from both private and public sectors, that is very important for the implementation of the recommendations.
- Formulating a draft-strategy and implementing it for the reformation of small-value payments market with the support of the World Bank experts. It will serve as medium-term development strategy for the NPSC to promote the development in these systems, through an action-plan for the market actors. The above strategy includes also the monitoring instruments for its implementation and determines the quantitative objectives. Currently the drafting of the strategy is finalised and will be approved in the next meeting of the NPSC.
- Finalising the study on the costs of payment instruments in Albania. The central banks in advanced countries have considered conducting such a study as very efficient, in the framework of the fight against the use of cash in economy, and in identifying the possibilities to reduce costs over the use of payment instruments in the economy. The above-stated study is finalised jointly by the Bank of Albania and the World Bank and will be made public in the early months of 2018.
- Analysing the remittances market in Albania and the implementation of the World Bank Greenback project, in Berat. This project consists in increasing financial inclusion and financial education of emigrants and their families, who receive these funds, and the establishment of rather effective channels in terms of costs for the delivery of these funds.
- Compiling the draft-law on Payment Services. Also, the Bank of Albania considers the payment services and the related instruments as a crucial



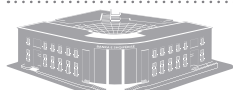
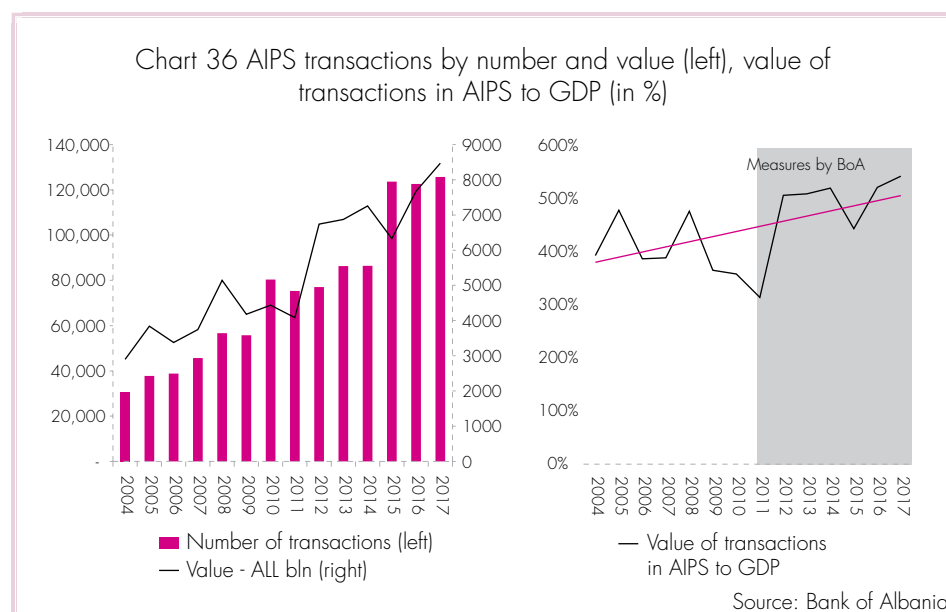
component of payment systems. In this regard, the Bank of Albania has worked for the implementation of the EU Directive 2015/2366 "On payment services in the internal market". The implementation of this directive in practice is assessed to considerably contribute to the improvement of safety and efficiency of payment services through the promotion of competitiveness, increase of transparency and the clear definition of rights and obligations to both payment service providers and users. Also, the directive provides the conditions for properly addressing the risks arising from the implementation of technology novelties (Fin-Tech) in the payment services. Currently, the Bank of Albania is finalising this draft-law. Nevertheless, by considering the broad effect of this draft-law, consultation with the market actors assumes special importance.

- Finally, the regulatory framework for the organisation and functioning of the NPSC is reviewed, in the light of expanding the participation in the NPSC with representatives from payment and transfer services, electronic money institutions and operators of settlement and clearing systems. This review has taken into account the World Bank recommendations for the implementation of the best international practices.

PERFORMANCE OF AIPS AND AECH SYSTEMS

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

In compliance with the objectives of the Bank of Albania, AIPS, the core structure for the settlement of financial markets, reflected safety and efficiency in 2017, preventing incidents and deviations from operating rules. In AIPS, 125,641 transactions were processed, and the total value of the liquidity circulated in the system was ALL 8,472 billion. Compared with the previous year, the volume and value of processed transactions increased by 3% and 10%, respectively. Also, the value of transactions processed in AIPS as a ratio to GDP trended



upward, showing an increasing use of the system and the importance of this system to the Albanian economy.

"Payments for clients" have the highest share in using AIPS in terms of volume³⁴ (53.46% payments generated from individuals, enterprises and public institutions) showing the importance of the system in the economic activity intermediation. On the other hand, in terms of value, "Settlements in AFISAR" have the main share (40.35%) for the settlement of securities transactions, thus showing the importance of the system for the settlement of financial markets and the implementation of the monetary policy.

A well-functioning AIPS contributes to the development financial markets, by accommodating the settlement needs of auxiliary structures based on the regulatory spaces for the functioning of the system. In addition, private and public initiatives may employ these spaces to guarantee a rather safe settlement in the books of the Bank of Albania.

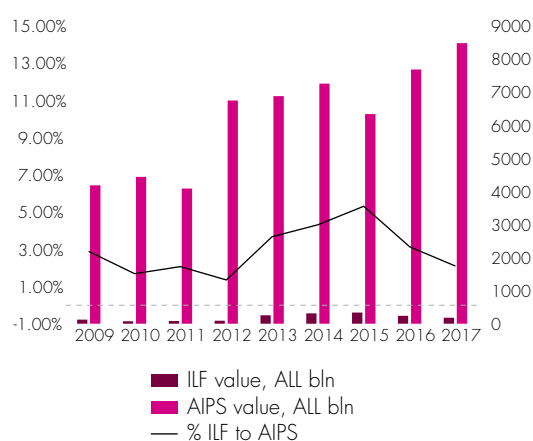
Regarding the addressing of risks, the growth of AIPS activity is not accompanied with needs for liquidity support by the Bank of Albania. In more concrete terms, the Intraday Loan Facility (ILF) has decreased in terms of both number and value (by 22% and 26%, respectively), also reflecting a decrease of the average value per transaction. The above-stated development reflects a fall of the exposure of the system to liquidity risk as shown in the Chart 37, where the ILF ratio to the value added in AIPS (ALL billion) fell considerably in 2017.

The downward trend of the need to finance the AIPS activity with ILF, beyond the liquidity conditions in the market, dictates a new way for using this instrument and the collateral management to guarantee it through the AFISAR system.

ALBANIAN ELECTRONIC CLEARING HOUSE FOR SMALL-VALUE PAYMENTS (AECH)

In 2017, the volume of cleared payments in AECH was 553,433 transactions, with an average value per transaction around ALL 180,000. Compared with the previous year, the activity of the AECH system increased in both volume and value of cleared payments, by 9% and 8.5%, respectively.

Chart 37 Intraday Loan Facility (ILF) to total AIPS in ALL billion



Source: Bank of Albania

The allocation of payments by participants shows that the use of AECH by banks, for the payments of their customers, continued to increase. In more concrete terms, regarding the banking activity, both

³⁴ The encouragement of the economic stakeholders to use AIPS after the measures taken by the Bank of Albania in 2011 regarding the commissions applied on the final user.

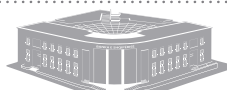
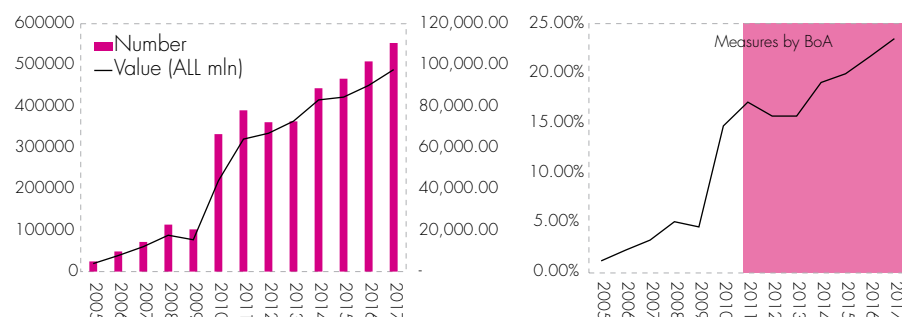


Chart 38 Number of AECH transactions in years; ratio of transactions processed in AECH to population over 15 years old*



* It implies that 23.5 % of population above 15 years old carries out an interbank transaction in a year via AECH. This figure becomes more meaningful if considering the fact that in Albania around 40% of population (Findex assessment 2014, World Bank) has a bank account to carry out interbank payments.

Source: Bank of Albania

the number and value of transactions increased by 16.12% and 13.85%, respectively, compared with 2016, reaching a level of using this system for this purpose at 60% against the total activity (40% transactions for the Ministry of Finance). The upward trend in the number of transactions from banks shows the familiarity of the public with payment instruments and their use at interbank level, as well as the transmission of the measures taken by the Bank of Albania in 2011 regarding the commissions applied by banks on the final users.

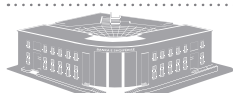
The Bank of Albania, by assessing the contribution of AECH system to encouraging the use of payment instruments, has continued the efforts to promote the expansion of the instruments cleared in the system and the actors who clear payments through this system. The approval and in following the implementation of the Draft-Law "On Payment services" is assessed to have provided a considerable support in this regard.

Also, in terms of risks, the distribution of transactions cleared in AECH system by sessions shows a higher concentration in the first clearing session. This development avoids the overload in the payment flows in the last clearing session by minimising the risks from these overloads.

PAYMENT INSTRUMENTS

The promotion of the use of payment instruments for transactions among economic actors, and mainly in electronic form, which appear more efficient, is rather important to the Albanian economy, when considering the fact that the use of cash in the economy has a cost of around 1.7 % of GDP³⁵ for the Albanian economy. In this framework, market developments are continuously monitored by the Bank of Albania, with the aim to promote the development

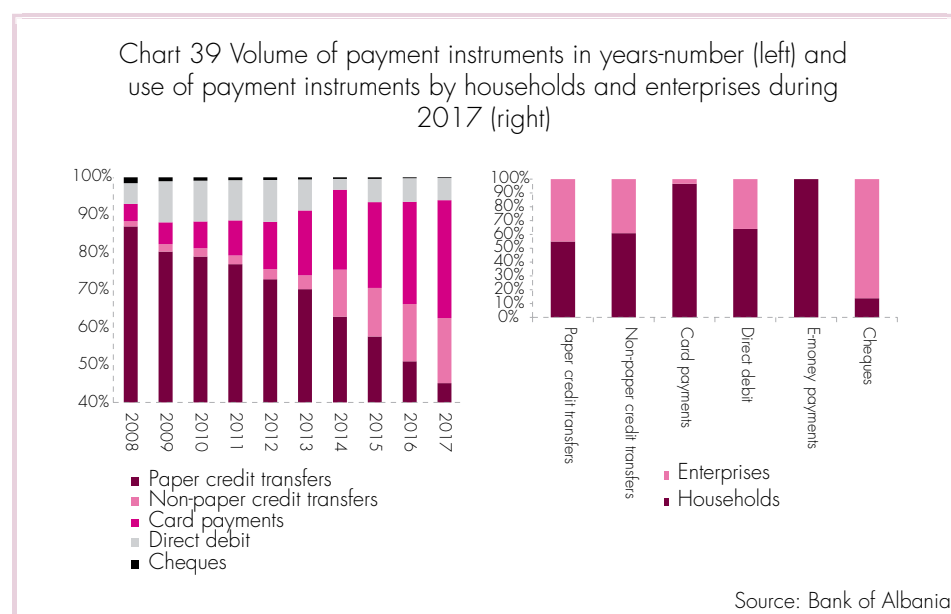
³⁵ The assessment is concluded in the research of the Bank of Albania in collaboration with the World Bank.



through both the regulatory framework and the infrastructure in compliance with the medium-term objective to ensure a safe and fast circulation of the currency in the economy at minimum costs.

Banks' reporting on payment instruments show that around 13.3 million payment transactions by households and enterprises were made in 2017, totalling ALL 4,665 billion. This development shows an increase in the value and number of payment transactions through the payment instruments, 11.18% and 3.41%, respectively, compared with 2016.

From the total number of clients' payments, during this period, a high use of credit transfer is employed (at 61.33%), of which 72.2% are payments in paper form. However, in the last years, we have noted an upward trend in the use of electronic payments, such as non-paper credit transfers (home banking) and card payments.



HOME BANKING

"Home banking³⁶" services have been increasingly used in the Albanian market. The promotion to use this instrument in the Albanian market, as one of the highest efficient instruments in terms of effective productivity and the costs borne from the use, based on the studies of the Bank of Albania on the payment instruments costs, is quite important.

At the end of 2017, of the 16 banks of the system, 14 were offering different home banking products. The establishment of adequate conditions by the supply side (banks) is reflected in an upward trend in the use of these services. In more concrete terms, in 2017, we observed that the volume of home banking

³⁶ These products provide remote access to the bank account, via on-line, telephone or software that the bank makes available to its clients.



Chart 40 Trend of remotely accessible accounts against total accounts and trend of remotely accessible accounts utilisation ratio*



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

payments increased significantly a by 26.32% of and of the value of the transactions by 60.11%, compared with the previous year.

The increasingly upward trend of home banking is closely connected to the presence of infrastructure and the expansion of possibilities to access internet through a smartphone. Also, the policies of banks, in the framework of promoting these payment alternatives, was assessed to have provided a positive role, reflected in the increase of the remotely accessible accounts, from 1% in 2008, to around 11% in 2017 to the total accounts.

Nevertheless, the expansion of the accounts' number is not followed by an increase in the transactions per account. This development shows the need of customers to become familiar with the service, implying the spaces for intervention in the framework of public financial education and the awareness-raising campaigns in this regard.

BANK CARDS

As at the end of 2017, fourteen banks were licenced as card issuers in the Republic of Albania, of which nine were also licenced as card accepters.

In terms of infrastructure provided by banks licenced as card issuers and those licensed as card accepters, at the end of 2017, the number of POS terminals increased by 2.57%, while the number of ATMs decreased by 6.63% compared with 2016. Notwithstanding the positive upward trend in the number of POS terminals, their concentration continues to be high in the region of Tirana,³⁷ 85.95%. Also, the number of POS terminals per 1.000.000 citizens was 2,541, the lowest level compared with the regional countries, followed by Kosovo, 5,982 POS terminals per 1.000.000 citizens.

Terminals for the use of electronic money cards recorded very positive developments. They showed an upward pace at 104.56% compared with the end of 2016. Nevertheless, it should be highlighted that the above-stated growth reflects also the statistical effect of the low comparative base. The encouragement to use of the electronic money instruments is assessed to have affected the financial inclusion of the population, by providing access to bank services (opening an electronic money account and owning a pre-paid card) by categories of population who may not access other services, for example they do not take a wage.

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

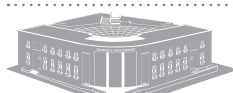
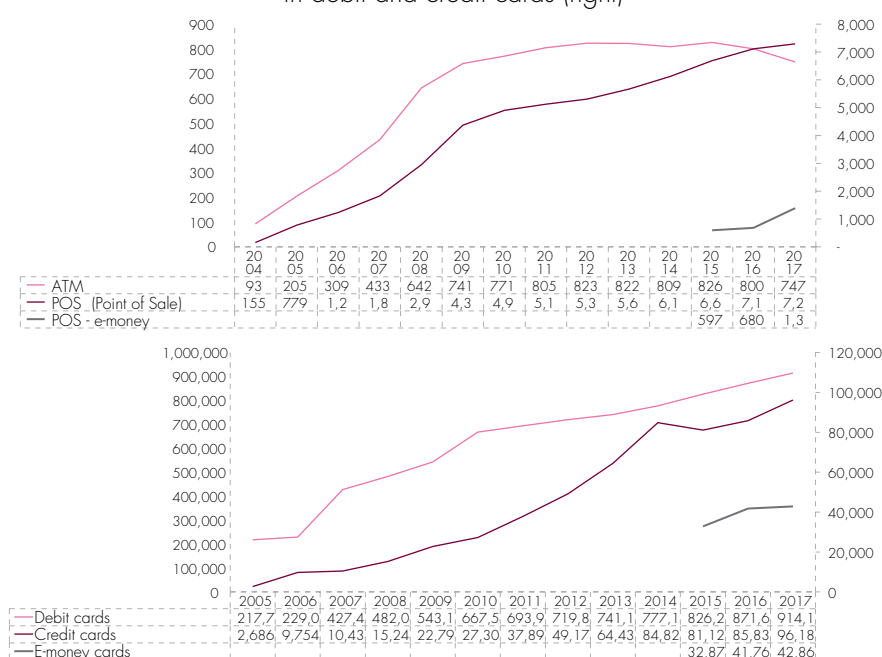


Chart 41 Developments in ATM and POS terminals (left); developments in debit and credit cards (right)



Source: Bank of Albania

In 2017, the issue of debit and credit cards increased by 4.9% and 12.1%, respectively. Also, the functioning in the market of e-money cards showed a fast increasing pace.

The use of bank cards in ATM and POS terminals shows that cash withdrawals from ATM terminals have the main share in transactions with cards, an indicator of a largely cash-based economy. In 2017, the number and value of card payments in physical and virtual POSs decreased by 7.8 % and 24.9%, respectively. In relative terms, payments carried out with prepaid cards reached up to 8.37% of the payments with debit and credit cards, up 18.47% from the previous year.

The low use of cards as a payment instrument shows the familiarity level of the public, the low level of financial education, and the limited infrastructure of POS terminals offered from enterprises.

Cash transactions

Regarding cash transactions conducted by customers at banks' cash desks, in 2017, their number decreased compared with the previous year. This year has registered a slight decrease of cash desk transactions by 5.48% in terms of number and a slight increase by 0.82% in terms of value, compared with the previous year.

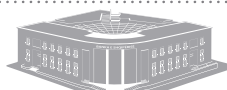


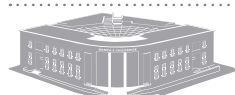
Table 6. Number and value of cash transactions at banks' cash desks

Description	Year 2016		Year 2017		Annual change	
	Number	Value (in ALL mln)	Number	Value (in ALL mln)	Number	Value
Transactions at cash desks	11,388,857	2,572,650	10,765,198	2,593,771	-5,48%	0,82%
1. Deposits at cash desks	7,645,500	1,577,539	7,175,011	1,608,616	-6,15%	1,97%
2. Withdrawals at cash desks	3,743,357	995,111	3,590,187	985,155	-4,09%	-1,00%

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

Notwithstanding the decrease in using cash, from the perspective of withdrawals and deposits at banks' cash desks, the use of cash in the Albanian economy in 2017 is dominant³⁸ and has high costs for the various actors and the overall economy. Hence, the coordination of efforts at market level to promote the use of efficient instruments at lower costs is of special importance and one of the priorities of the Bank of Albania.

³⁸ A joint study of the Bank of Albania and the World Bank shows that 99.2% of all payments are accepted in cash by the interviewed enterprises, while they have carried out 66% of payments also in cash. Also, Albanian consumers show a high use of cash (96% of the conducted payments are in cash, meanwhile the payments taken from third parties, 90% are in cash).

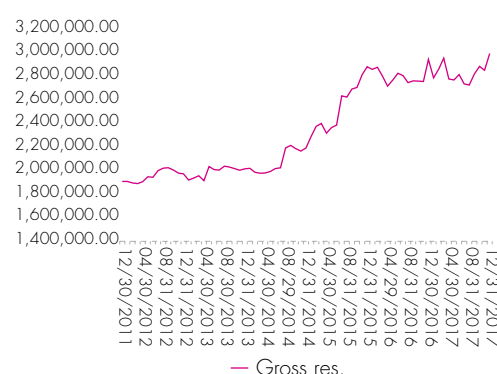


2.8 FOREIGN EXCHANGE RESERVE MANAGEMENT

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

The new Regulation "On the policy and management of the foreign exchange reserve", approved by the Supervisory Council in February 2017, lays down the purposes of maintaining the foreign exchange reserve. In compliance with the international practices, the purposes for maintaining the foreign exchange reserve, in addition to the implementation and support to the monetary policy, include safeguarding financial stability. The objectives of the foreign exchange reserve management are subject to the approval by the Supervisory Council. The primary objectives of this process are liquidity and security, whereas ensuring returns from reserve funds management represents the third objective, as long as it does not infringe the objective for liquidity and security. The Investment Committee approves the names of entities where foreign reserves may be invested. These names include the governments of USA, Japan, Great Britain and those in the euro area, as well as government-related agencies or institutions that are generally rated at least AA- (for euro area governments, the accepted minimum rate is BBB³⁹). The names of entities allowed for investment also include multilateral institutions or other institutions rated at least AA-.

Chart 42 FX reserve performance at the Bank of Albania (in EUR million)



At the end of December 2017, the stock of foreign exchange reserve was EUR 2,994.28 million, including the monetary gold, amounting EUR 54.88 million, 1.8% of total.
Source: Bank of Albania

COMPOSITION OF FOREIGN RESERVE PORTFOLIO BY CURRENCY

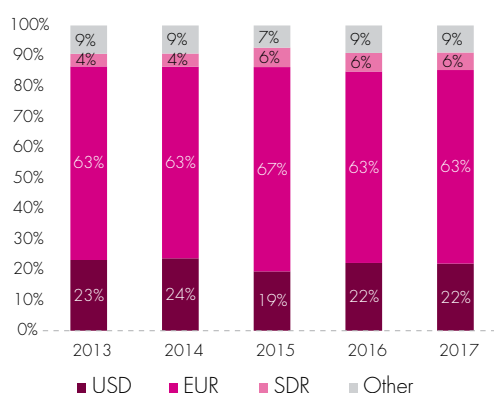
At the end of December 2017, the composition of the foreign reserve by currency was:

Usd	Eur	Gbp	Jpy	Aud	Sdr	Gold	Rmb
22.0%	63.4%	2.6%	2.2%	1.5%	5.7%	1.8%	08%

³⁹ Entities/ instruments rated up to BBB- are included in "Investment" category (investment grade).

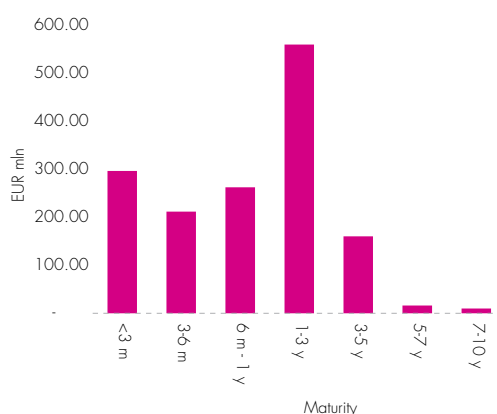


Chart 43. Share of reserve currencies



Source: Bank of Albania

Chart 44. Reserve by instrument maturity (2017)



Source: Bank of Albania

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

RESERVE PORTFOLIO BY MATURITY TERM

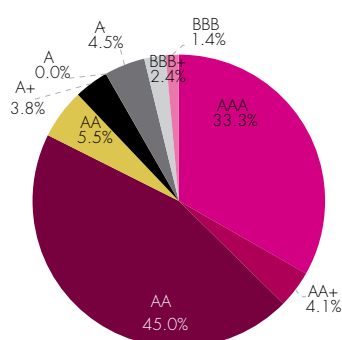
At the end of 2017, the foreign exchange reserve managed by the Monetary Operations Department is invested into liquid assets, mainly with maturities of 0-3 years. The share of time debt instruments with maturity over 5 years does not exceed 1.7% of the reserve portfolio. The portfolio managed by the external manager (World Bank), is invested against a benchmark portfolio of 0-3 years, mainly in debt instruments issued by the government.

RESERVE PORTFOLIO BY RATING AND TYPE OF ISSUER

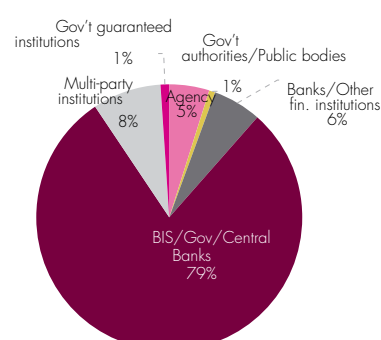
More than 90% of the foreign reserves portfolio is invested in institutions of high quality ratings (classes AAA and AA). The reserve is mostly invested in debt instruments issued by governments / central banks (79%), followed by multiparty institutions (8%), banks

Chart 45. Rating of investment instruments and type of issuer

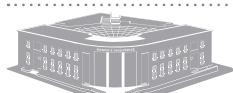
Share by rating at end 2017



Share by type of issuer at end 2017



Source: Bank of Albania

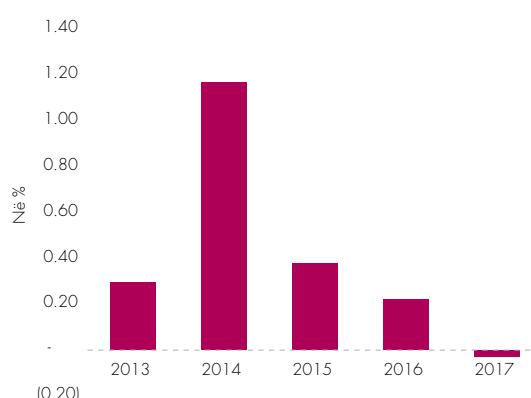


/ other financial institutions (6%), agencies (5%), government-guaranteed institutions (1%) and government authorities /public bodies (1%).

RETURN ON THE INVESTMENT OF RESERVE PORTFOLIO

The absolute return of reserve in total (excluding the part of the reserve in gold, and the fund managed by the World Bank as external administrator), was around -0.029% in 2017, compared with 0.24% in the previous year. The fall in return reflects the challenging international environment, where the interest rates on debt issues in EUR, the main currency of the foreign reserve, are at negative levels, due to the monetary policy implemented by the European Central Bank (ECB deposit rate continues to be -0.40%). In 2017, the interest rates on treasury issues in euro area continued to be at a negative territory. Hence, the investment possibilities with a positive return rate, but by maintaining the accepted credit risk, for the part of portfolio in euro reduced further compared with the previous year. As at end 2017, around 93% of investments in securities in the euro dominated portfolio have a negative interest rate that varies from -0.3 basis point to -85 basis point.

Chart 46 Return of foreign reserve in years



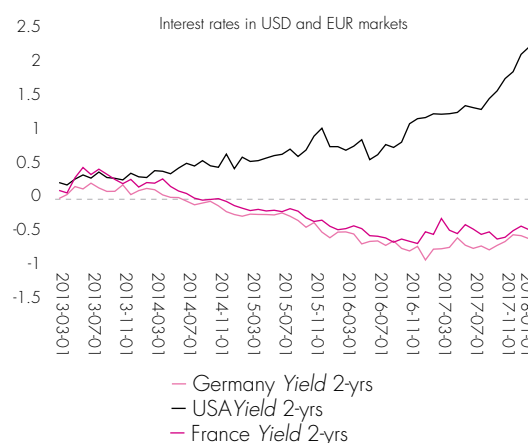
*Both the exchange rate and the return from monetary gold are excluded in the calculation of the return.
Source: Bank of Albania

BOX 9 IMPACT OF EXTERNAL ENVIRONMENT IN THE INVESTMENT OF FOREIGN EXCHANGE RESERVE

Year 2017 was characterised by an improvement in the global sentiment on real economic growth almost across all economies, in whose currencies the international reserve portfolio is held. The economic growth in USA and in Europe was particularly sound, driving the respective central banks to react by increasing the interest rates (Federal Reserve), or reducing the monetary stimulus (European Central Bank). Globally, the treasury yield curve, particularly the US yield curve flattened as at end 2017 (or maintained their historic average levels without sloping as in the euro area), by expressing the increase in interest rates as a result of optimism, mainly in the part below three years of the curve.

The absolute return on foreign reserve at low levels reflects the continuation of an environment with still low interest rates, in the main currencies/ markets where the foreign reserve portfolio is invested.

Chart 47 Two-year rate on government issues, with considerable share in the reserve portfolio



Source: Bloomberg



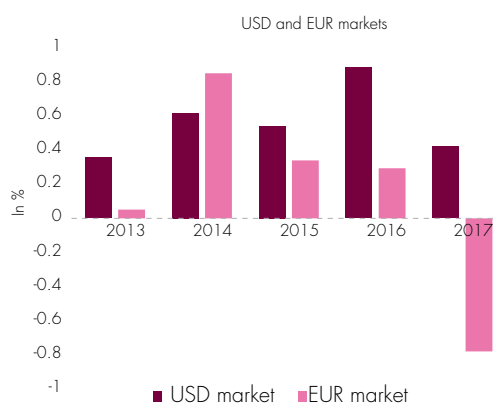
The contribution to the return on investments from the euro, which shares higher than 60% of reserve portfolio, was negative by reflecting the negative interest rates in the euro area.

Table 7 The interest rates on government's issues in euro area at the end of 2017 (in %).

Maturimi	1 muaj	3 muaj	6 muaj	1 vit	2 vjet	3 vjet	4 vjet	5 vjet	6 vjet
Gjermani	(1.34)	(0.85)	(0.77)	(0.70)	(0.64)	(0.55)	(0.39)	(0.20)	(0.10)
Hollandë	-	(0.89)	(0.82)	(0.81)	(0.71)	(0.56)	(0.42)	(0.29)	(0.06)
Finlandë	-	-	-	(0.76)	(0.68)	(0.49)	(0.36)	(0.17)	0.00
Austri	-	-	-	(0.67)	(0.57)	(0.49)	(0.39)	(0.15)	(0.02)
Belgjikë	-	(0.84)	(0.74)	(0.64)	(0.55)	(0.46)	(0.35)	(0.17)	0.04
Francë	(1.10)	(0.79)	(0.73)	(0.65)	(0.49)	(0.31)	(0.15)	(0.01)	0.11
Irlandë	-	-	-	(0.69)	(0.57)	(0.50)	(0.17)	(0.02)	0.04
Slloveni	-	-	-	(0.49)	(0.49)	(0.28)	-	(0.22)	-
Spanjë	-	(0.60)	(0.54)	(0.54)	(0.42)	(0.04)	0.03	0.34	0.58
Itali	-	(0.65)	(0.46)	-	(0.46)	(0.28)	0.02	0.30	0.71

Burimi: Bloomberg.

Chart 48 Return of portfolios in treasury issues rated AAA - AA, the average duration around 1.7 years.



Source: Indices published by Bof AML.

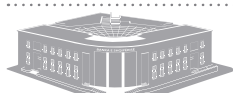
Meanwhile, the contribution to the return from the US dollar and other currencies of the reserve was positive, due to the higher base of the average interest rates in these currencies over 2017.

The return generated from the active management of the reserve portfolio over 2017 was positive. By currency, the euro had the highest share of the contribution to this return. The same situation was reflected on the non-euro currencies, where the relative return was high, but at a lower contribution to the total, due to their low share in the reserve.

Chart 48 shows the performance of markets in the two main currencies in which the foreign reserve is invested, EUR and USD.

OTHER DEVELOPMENTS RELATED TO THE FOREIGN RESERVE MANAGEMENT FUNCTION

Cooperation with the World Bank in the framework of Reserves Advisory Management Program (RAMP) continued in 2017. The World Bank continued to provide specialised training and educational programs, such as CFA (Chartered Financial Analyst), PRM (Professional Risk Manager) and ACCA (Association of Chartered Certified Accountants). These qualifications aimed



at the further consolidation and increase of expertise level of the employees engaged in the process of foreign reserve management, the staff that supports or monitors the performance of this process and of the Bank's staff in general. In 2017, the training of Investment Committee members began, to obtain more experience regarding the responsibility and tasks realised by this decision-making structure in the context of the foreign reserve management.

The regulatory framework for the development of foreign reserve management was amended in December 2017 regarding the investment policy of foreign reserve with the purpose the regulation of the investment into a new instrument class - the covered bonds. This instrument represents a standard investment alternative to the central banks. In the approving process of this instrument, special attention was paid on the accepted credit risk level. The legal risk management was important during the investment in this instrument class; hence, the Bank of Albania was driven and assisted by the Bundesbank in this regard. The continued communication between our institutions will provide updated information, and the Bank of Albania will base its work on this information to establish a rather complete monitoring framework during the realisation of investments in the covered bonds.

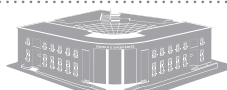
In September 2017, the Supervisory Council adopted the amended Regulation "On the functions of the management structures in the decision-making process on the foreign currency reserve management". In the framework of the complete revision of this Regulation, its new content reflects: the competencies of the Governor in the framework of fulfilling the function of foreign reserve management; the supplementing of the competencies of each decision-making unit engaged in fulfilling the foreign currency reserve management function, including the competencies of the Head of the Monetary Operations Department.

BOX 10: FLOWS AFFECTING FOREIGN EXCHANGE RESERVE IN 2017

Gross foreign exchange reserve, estimated and reported in euro, grew around EUR 50.15 million, in 2017, standing at EUR 2,994.28 million, as at end-December. Year 2017 is characterised by a high fluctuation of excess reserves of commercial banks at the Bank of Albania. There was a significant increase in the stock of gross reserves, during the end of December, as a result of shifting of liquidity in currency of commercial banks by non-residents in the form of excess reserves at the Bank of Albania.

A. Transactions with the Ministry of Finance provided a positive impact, estimated at EUR 48.47 million, according to the following items:

- *Net inflows from extension of various loans, at EUR 346.83 million;*
- *International Monetary Fund (IMF), at EUR 73.60 million;*
- *International Bank for Reconstruction and Development (IBRD) etc., at EUR 273.23 million;*
- *Inflows from the issue of foreign currency debt, at EUR 79.06 million;*



- Transfers (including debt service), at EUR 377.42 million.

B. Commercial banks and other entities' transactions provided a positive impact, at EUR 28.72 million, according to the following items:

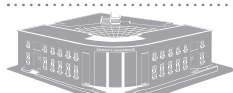
- Commercial banks' deposits at the Bank of Albania to comply with the required reserve and transactions related to their capital, etc., at EUR 1,459.29 million;
- Transfers, at EUR 1,430.67 million;
- Net inflows for the account of other entities (DIA, etc.), at EUR 0.10 million.

C. Bank of Albania's transactions provided a positive impact, estimated at EUR 106.33 million, according to the following items:

- Purchasing foreign currency from Ministry of Finance and Economy and other institutions, at EUR 72.89 million:
 - From commercial banks, at EUR 71.19 million;
 - From other institutions, at EUR 0.92 million
 - From the Ministry of Finance and Economy, at EUR 0.78 million;
- Receipts from interests, coupons, etc. (calculated on cash basis) generated from foreign-exchange reserve investments, estimated around EUR 38.88 million.
- Settlement of the Bank of Albania's dues to the IMF is estimated at EUR 2.49 million,
- Transfers, around EUR 2.95 million;

D. Market factors provided a negative impact, estimated at EUR 133.38 million, according to the following items:

- Foreign-exchange rate volatility of currencies composing the foreign-exchange reserve contributed positively to the gross reserve reported in EUR, registering an effect of about EUR 98.58 million.
- The portfolio revaluation effect, as a result of interest rate volatility, is estimated at a negative value of EUR 34.80 million¹³.



2.9 STATISTICS

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

The Bank of Albania uses and compiles statistics relating to financial markets, financial institutions, financial infrastructure and balance of payments. In this context, the development of monetary and financial statistics and the external sector of the economy is a fundamental responsibility of the Bank of Albania and contributes to the decision-making on the monetary policy and financial stability. At the same time, the Bank of Albania carries out statistical functions serving the public as a national statistical agency, an important source of statistics to the Albanian and foreign public.

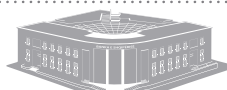
The Bank of Albania also complies with the reporting obligations to international institutions, the IMF, World Bank, Eurostat and the ECB, within the framework of the European integration process of Albania. The Bank of Albania is a member of the General Data Dissemination System (e-GDDS) and other systems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

In view of the strategic vision, the Bank of Albania has intensified its work on (i) methodological approximation of statistics with international standards and their alignment the *acquis communautaire*, (ii) expanding and detailing public statistical products, bearing in mind the reporting burden, as well as a faster and easier access of external users to the data and (iii) increasing the quality and integrity of the Bank of Albania statistics.

APPROXIMATION OF METHODOLOGIES WITH INTERNATIONAL STANDARDS

The Bank of Albania intensified its work for aligning the methodology of statistics with the international standards and their harmonization with the *acquis communautaire*. Concrete efforts are undertaken to collect and create new indicators, and to improve the data processing system.

In the field of monetary and financial statistics, in the framework of alignment with international drafting/compilation standards (ECB, IMF), and in line with



the recommendations of the ECB's experts report, progress has been made in the following directions:

- The Regulation "On Bank of Albania reporting on interest rate statistics", which fully approximates the EU Regulation No. 1072/2013 of the ECB, dated 24.9.2013 (ECB / 2013/33).

Statistics on the interest rate are the basis for analysing the monetary transmission mechanism. They also provide for monitoring structural developments in the banking and financial system as well as the analysis of financial stability aspects, such as the interest rate spread of banks and changes in bank profitability. This statistic further enhances our expertise on the analysis of the monetary transmission mechanism and will be offered to the users and the public by the end of 2018, after the completion of the series.

- The methodological approach and the compilation of financial soundness indicators (FSI) have been realized, in line with the standard⁴⁰ and, at the same time, the first FSI publication on the Albanian page at the IMF (<http://fsi.imf.org>).

Since November 2017, this statistic has been offered to the users in a time series starting from December 2010. FSIs include aggregated information on financial institutions as well as respective market indicators.

They are widely used in the definition of national standards on risk assessment, are the source of information for the compilation of financial stability indicators, and represent major quantitative references for the reporting of national, regional and global financial stability.

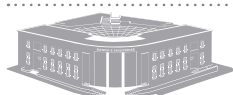
- The methodology is consolidated and, for the second consecutive year, the statistical book of financial accounts - flow of funds for Albania is fully drafted, in accordance with the most recent standard for the compilation of financial accounts - European Accounting System, ESA 2010.

Financial accounts are an important source of information for monetary policy and financial stability analyses. Regarding monetary policy, it is important to understand the flow of funds and instruments, whereas for financial stability it is important to understand the degree of exposure among the sectors.

The drafting of this statistical book has received positive assessment by the IMF Technical Assistance Mission), which suggested the publication of this statistic.

In the medium term, we will work to extend the time series, a necessity and a

⁴⁰ FSI Design Methodical Guide (IMF 2006).



requirement deriving from the obligations under the calculation and reporting of the MIP (Macroeconomic Imbalances Procedure)⁴¹.

- In December, for the first time, the Bank of Albania published statistics of the financial account of the financial corporates since December 2012, in annual and detailed periodicity by sub-sectors. Also, on the official page of the Bank of Albania, a list of institutional units classified under the financial sector was published, according to ESA 2010.

The compilation of the list of institutional units classified in the financial sector is an important aspect for the qualitative compilation of monetary statistics and financial accounts. The institution classification process is also discussed in the inter-institutional working group (BoA, INSTAT and MFE) as well as with foreign experts from EUROSTAT and the IMF.

The publication and updating of the list is an obligation of the Bank of Albania.

- In the framework of full coverage of monetary statistics for the financial sector, for the first time, the monetary conditions of other financial corporations was compiled in accordance with international standards.⁴²

At the end of October, data were successfully transmitted to the Bank of Albania website at the IMF providing users with comprehensive information related to the financial sector's monetary and financial statistics. These statistics are provided on a quarterly basis and will be published at the Bank of Albania's official website in March 2018.

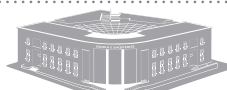
- Work on the calculation of statistics under the EDP, in accordance with methodological standards and best international practices, has continued.

The Excessive Deficit Procedure represents an important statistical book for monitoring public finances soundness in member and candidate countries in terms of compliance with the two criteria of Maastricht. The IMF and SECO-funded regional project (2016-2019) has been supporting the inter-institutional EDP working group for more than a year and has given a positive contribution to the reconciliation of government data compiled by three institutions. Inter-Institutional Responsibilities for Drafting the Excessive Deficit Procedure Tables have been agreed upon in the Memorandum of Understanding⁴³. The Ministry of Finance and Economy is the main institution for the data source. INSTAT has the obligation to draft the methodology and data of non-financial indicators;

⁴¹ For Albania, the completion of MIP is a project supported by the ECB and Eurostat and coordinated by the Bank of Albania. The most numerous indicators in it are those that the BoA drafts, and should be reported in a 10-year timeframe.

⁴² SNA 2008 / ESA 2010, MFSMCG IMF 2016.

⁴³ Signed between the Bank of Albania, INSTAT and the Ministry of Finance (currently the Ministry of Finance and Economy), dated 03.10.2016.



meanwhile, the Bank of Albania has the obligation to draft the methodology and data for the financial indicators.

- In February, the International Reserves and Foreign Currency Liquidity Module was published for the first time.

The liquidity module has been designed by the IMF after the global financial crisis, together with the FSI and external debt statistics, and represents an important statistical product for the financial soundness of economies. This statistic is monthly reported to the IMF, and is offered to the public on a time series from January 2014.

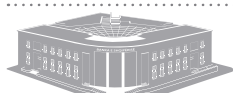
- In accordance with the recommendations given by the IMF's Technical Assistance Mission for external sector statistics, the following indicators have been drafted and submitted to the IMF:
 - Full set of "Co-ordinated Portfolio Investment Survey (CPIS)", together with the relevant methodology;
 - International Investment Position by Currency;
 - Co-ordinated Direct Investment Survey (CDIS), outward.
- The International Transaction Reporting System (ITRS) was finalized.

ITRS enables the expansion of the information base for the compilation of statistics payments statements and the increase of the level of detailing. This reporting is necessary in order to meet the criteria (reporting requirements for the integration) on the geographic breakdown, division by institutional sectors, frequency of compilation for statistics, and publication and dissemination of statistics.

Modern statistics cannot be perceived without the powerful support of the IT, regarding their collection, compilation and dissemination.

Regarding the achievement of international standards related to the reporting, storage and data control infrastructure, during 2017, in the electronic regulator reporting system (ERRS) are included: (i) non-bank financial reporting entities; (ii) Savings and loan associations; (iii) consolidated supervision package for financial groups. Also, full reporting in the framework of payment system oversight and those of the issue function at the Bank of Albania are included.

Also, during 2017, the Bank of Albania initiated the project "Automation of the compilation and dissemination of external sector statistics". The automation of the compilation and dissemination system of external sector statistics constitutes the creation of an important foundation for the statistical book produced by the Bank of Albania, building a solid architecture for the further development of other statistical books.



ENHANCING THE QUALITY AND INTEGRITY OF STATISTICS

In March, the Supervisory Council of the Bank of Albania approved the “Code of Practices for Statistics at the Bank of Albania”. The seven principles of the Code summarize the Bank’s objectives in seven aspects of its practice in the field of statistics. They relate to the importance, integrity, quality, access to the statistical product (availability), confidentiality, burden/obligation of reporting, and cost effectiveness.

The document was drawn up in accordance with the Fundamental Principles of Official Statistics and the United Nations Statistical Commission, as well as the principles set out in the European Statistics Code of Practice. It is similar to the IMF Data Quality Assessment Framework, and in compliance with the principles of transparency, the Bank of Albania objectives and the direction of its long-term strategic development. In addition, the drafting of this document meets the Eurostat’s recommendations in the LPR questionnaire⁴⁴ (The Light Peer Review of the Implementation of the European Statistics Code of Practice in the Republic of Albania). The Code seeks to guarantee the integrity of the statistical process at the Bank of Albania. Its existence further improves the public confidence in the information corroborating decision-making on monetary policy and other economic policies.

For the first time in 2017, the Bank of Albania published the “Policy and Calendar of the Bank of Albania Review of Statistics”. The review is an important aspect of good governance in the field of statistics, as well as the basic requirement / component of the data quality standard. The publication of the review policy provides full transparency to users regarding the review of published statistics.

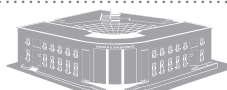
Since June 2017, Albania implements the IMF’s Enhanced General Data Dissemination System (e-GDDS⁴⁵) and has been committed to meeting a number of strict requirements for the production, dissemination, and documentation of statistical data.

The Enhanced General Data Dissemination System was approved by the IMF Executive Board in May 2015. The National Data Summary Page, which is presented on the official INSTAT website, contains links to the published statistics from official statistics producers, namely those of the Bank of Albania, the Institute of Statistics and the Ministry of Finance and Economy. This site aims to serve as a general publication centre for key macroeconomic statistics.

Reliable, timely and internationally comparable statistics serve as a guideline for increasingly globalized and complex economic activities. Adherence to

⁴⁴ LPRs are part of the European Statistical System (ESS) strategy for the implementation of the Code of Practice. Their objective is to increase the integrity, independence and accountability of statistical authorities, which are part of the statistical system.

⁴⁵ Enhanced General Data Dissemination System e-GDDS.



e-GDDS testifies for a higher level of development and transparency of the Albanian national statistical system and contributes, above all, to ensuring that Albania is a right place for doing business and making financial investments.

Without the user's confidence, statistics cannot fulfil its role as a public good. Measures taken by the Bank of Albania in the governance of statistics at the Bank of Albania, coupled with the contribution to the draft law on "Official Statistics", help to further strengthen the reliability of the statistical product of the Bank of Albania.

COOPERATION AT INSTITUTIONAL LEVEL

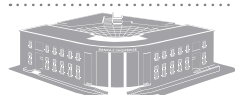
Following the signing of the Memorandum of Cooperation with INSTAT and the Ministry of Finance and Economy in September 2016, these institutions have cooperated in several aspects, most importantly the establishment of two inter-institutional working groups, respectively focusing on (i) national accounts,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

The establishment and functioning of the working groups has led to an adequate exchange of statistical data collected / drafted by relevant institutions, as well as a better methodological harmonization between the three statistical agencies.

With INSTAT, the Bank has worked for drafting the Macroeconomic Imbalance Procedure (MIP). The MIP is a system for monitoring economic policies and detecting potential harms, early on, to the proper functioning of the economy of a Member State or the European Union as a whole. The MIP is part of the six legislative proposals on economic governance adopted by the Parliament and the European Council in November 2011, and as such it is part of the EU acquis to be adapted by candidate countries before the date of accession. In November 2017, the new Activity under MIP "Sources of Data for the Calculation of the MIP Indicators" (PP7.1) was initiated. This activity will be coordinated by the Bank of Albania.

Also, in the framework of inter-institutional cooperation in the field of statistics, in 2017, the Bank of Albania actively participated in the initiative for drafting the Law on Official Statistics.

During 2017, cooperation with AFSA was strengthened to provide statistical information on the non-bank financial system under AFSA's jurisdiction. The benefits that will result from these synergies will be used to eliminate and address some gaps in information related to policy decisions and to improve deadlines and to coverage with relevant information, while enhancing market transparency.



In the international aspect, the Bank of Albania continues to maintain fair and timely reporting of statistics, in accordance with the methodological and transmission standards (platforms) of the IMF, EUROSTAT, ECB. It is also receiving technical assistance from these institutions in the framework of improving the quality of statistics and their approximation to the international standards.



2.10 RESEARCH

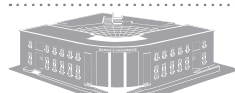
The Bank of Albania aims to base its decision-making process on sound foundation of a body of tested knowledge on the Albanian economy. Investment in creating solid research capacities contributes to improving Bank of Albania's reputation and credibility as an institution with advanced methodologies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

In 2017, research at the Bank of Albania focused mainly on the monetary policy objective, issues related to the preservation of financial stability and banking supervision, and the interaction between these objectives. In line with the mid-term research strategy, research has continued to support the decision-making process for drafting and implementing Bank of Albania's policies, developing new empirical analysis methodologies and enriching the portfolio of econometric models on which decision-making is based.

In the framework of modelling the economy, as a very important aspect of research, two new econometric models have been developed: DSGE and BVAR, which reflect the characteristics of the Albanian economy and aim to support the monetary policy decision-making process. The DSGE model aims to improve the Bank's macroeconomic discussions and analyses by identifying various sources of structural shocks and forecasting and assessing key macroeconomic indicators. Meanwhile, the BVAR model, a relatively easy to use model and less expensive in maintenance, but efficient in forecasting key economic indicators, is intended to serve as a comparative model to assess the forecasting performance of the DSGE model or more complex models of the Bank.

In the area of financial stability, empirical estimates show that banks' behaviour towards increased competition has been essential to boosting banks' stability after the financial crisis. This correlation has been stronger in the case of smaller banks. The results also show that the correlation between the banking concentration and the stability indicator is negative, meaning that the full-fledged competition should be the desired market structure to further boost banks' stability, as a weaker bank power to control the market during crisis periods can simultaneously bring greater stability in the Albanian banking sector.

The development of the banking system is considered to be important for the country's economic development, both in the long and in the short term.



However, it is noticed that bank crediting has not been very efficient and is fragmented, focused only on some sectors of the market. Commercial banks have pursued relatively cautious lending policies, positively affecting the stability of the banking system. On the other hand, empirical estimates suggest that mitigating monetary policy of lowering the key interest rate at record levels may have adversely affected the profitability of banks, especially of smaller banks.

Concerning the external sector of the economy, studies find that the establishment of the prices of Albanian exports is almost equally influenced by domestic and foreign factors. These findings suggest that our exporters, even though only a few in the international market, have a certain impact on price negotiation. Meanwhile, importers of goods are more sensitive, as the international price performance and exchange rate fluctuations affect around 70% of the import price performance.

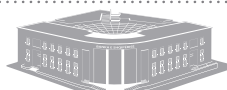
Studies and research projects with micro data are focused on assessing the consumption of Albanian households; assessment of financial and borrowing status of microeconomic enterprises; inclusion and access to finance and banking products; assessment of salary scale flexibility in Albania; they are also engaged in new projects with "large" data, analysis of the "financial inclusion" situation, etc.

Using micro data that cover 17,000 Albanian households from the Living Standards Measurement Survey (LSMS) in 2002-2012, estimates show that consumption of Albanian households responds positively to changes in income and real estate (measured by real value of the real estate they own). However, this response is not homogeneous, as the marginal ratio of consumption to income and the value of real estate varies depending on the age of the head of the family and household fragility.

The survey conducted on the assessment of the financial and borrowing situation of microeconomic enterprises in the agricultural sector states the low level of financial inclusion of this sector, which has a significant share in the gross value added as well as in the number of employees. According to the respondents, access to finance and the cost of providing banking products is ranked as the third most concerning problem after unfair competition and finding a market for their products.

Also, during 2017, the Big Data project was initiated, driven by new developments in research technologies in other central banks. In cooperation with the Bank of Italy, the Research Department undertook the first steps for the recognition and evaluation of "large data" analyses, intended to be used at the Bank of Albania for the evaluation of certain economic and financial indicators.

Another important analytical aspect was the attempt to assess the "financial inclusion" situation in Albania. FINDEX data analysis shows a relatively low level of financial inclusion in Albania. This environment inhibits further financial



development, while improving financial inclusion may require a clear and comprehensive formal strategy, which should provide co-ordinate resources and actions that promote the inclusion of the population in the financial system. These and other studies have become the subject of discussion in the activities and conferences organized by the Bank of Albania or other institutions, where comments and observations have been provided for their further improvement, before being put forward for decision making at the Bank of Albania. In this context, for the 11th consecutive year, the Bank of Albania organized the South-Eastern European Economic Research Workshop on 4-5 December 2017. The Workshop serves as a tool for presenting and discussing research work among researchers, academics and policy-makers to contribute towards deepening economic research as well as to expand knowledge on certain features of economic development and research methodologies. This year, 25 studies were presented by the central banks of the countries of the region, such as Italy, Greece, Kosovo and Macedonia, as well as academic institutions such as LUISS Guido Carli University in Italy, University of Orléans in France, and Rovira of Virgili University in Spain. The important topics were the assessment of various aspects of monetary policy, fiscal policy and central banking, financial stability assessment, various aspects of international trade and analysis of macroeconomic models.

The Bank of Albania's official website, under the category "Publications/ Research", contains more detailed and complete information on all Bank of Albania's research works. Other research works are published in the form of articles in the Economic Review of the Bank of Albania. A half yearly magazine "The Research Newsletter ", aims at informing about recently completed or on-going study papers, materials presented in the "Friday Seminars" or other activities organized by the Bank of Albania.

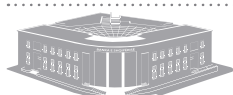
SOME RESEARCH MATERIALS PREPARED THROUGHOUT THE YEAR

During 2017, a series of studies and articles were prepared which aimed to explore the features of the functioning of the country's economy and the banking system. The results of this research work serve to improve economic and financial analysis and to provide a more solid grounding for decision-making. The focus of these studies and empirical analysis was on topics regarding the monetary policy objective, financial stability and supervision, interaction between these objectives, monetary operations, and so on. Below we will briefly present some of the scientific materials prepared during 2017.

Financial Development and Economic Growth - new evidence for Albania

Authors: Gent Sejko, Elona Dushku

The study re-evaluates the long-term relationship between financial development and economic growth in Albania over the period 2002-2016, based on the vector error correction model (VECM) error vector and the Granger tests. Estimates confirm a positive and statistically significant relationship between



financial development and long-term growth. This connection is also confirmed in the short term. Empirical results show that not only macroeconomic developments positively impact banking sector developments but also financial development positively impact economic growth, proving the dual cause relationship between these two indicators.

Banking stability and competitiveness - evidence from the Albanian banking system

Author: Gerti Shijaku

The main purpose of banking prudence regulations to reduce bank risk incentives often coincides with the restriction of competition between banks, although many theoretical and empirical studies argue that in fact the increase in competition leads to lower levels of bank risks. This study analyses the dynamic link between competition and Albanian banking stability over the period 2008-2015. The results strongly support the view of "competitiveness - stability" after global financial crises - that the highest degree of competition improves the stability of banks. Greater concentration also has a negative impact on the stability of banks.

A Model with Autoregressive Vectors for the Albanian Economy

Authors: Ilir Vika, Meri Papavangjeli

This project aims to build a relatively simplified model for the Albanian economy, which is more driven by data than by the transformations resulting from the theoretical views. Such a model is easier to use and less costly in maintenance, and would therefore serve as a comparative benchmark with the projections and analyses generated by other more complex templates currently used. Preliminary evidence provides lasting results. Evaluation according to the Bayesian method improves the predictive power of the model with autoregressive vectors, hence the ongoing work will focus on the use of this technique.

Has the global crisis changed the monetary transmission mechanism in Albania?

An application of the probability density evaluation technique

Authors: Altin Tanku, Kliti Ceca

This study analyses the hypothesis that the relationship between interest rate, currency and inflation has changed in the post-crisis period for the case of Albania. The paper uses probability density estimation techniques, based on Tanku and Ceca (2013), as an alternative method of empirical evaluation. Two-dimensional inflation, money and interest rates are estimated for two different periods: before and after the crisis.

An estimate of the marginal trend for consumption of income and real property for Albanian households

Authors: Elona Dushku, Ola Çami

Using micro data that cover 17,000 Albanian households from the LSMS in the period 2002-2012, this study aims to assess the extent to which household consumption responds to changes in income and real wealth. Empirical results suggest a positive relationship between income and consumption change and change in real wealth and consumption.

Price effects according to the market in Albania: how competitive is the foreign sector?

Authors: Ilir Vika, Arlind Rama

This study examines the effects of price according to the-market in the case of Albania and contributes to improving the external sector specification in macroeconomic models for the Albanian economy. The analysis focuses on Albania's trade relationship with the Eurozone, where import and export prices



of goods are directly explained by two factors: the international environment and domestic costs. The econometric results suggest that price-by-market effects are important in determining foreign trade prices in the case of Albania. These findings, in fact, reject the hypothesis or perception that small economies accept market-determined prices without negotiating power.

Potential output and growth, output and unemployment gap in Albania - Comparative Analysis of Recent Estimations- 2015

Authors: Evelina Çeliku, Enian Çela, Iris Metani

This research project aims to re-evaluate the results from the existing and new methods applied in the case of Albania for assessing potential output, natural unemployment rate and relevant gaps. It explains the dynamics in the Albanian economy that have influenced the potential growth and the trend of the natural unemployment rate. Estimates support mid-term projections and monetary policy decision-making. The material has not been published yet.

Evaluation of bank credit determinants in Central and South-eastern Europe

Authors: Sofika Note, Erjona Suljoti

This paper empirically evaluates the factors that have affected banks' lending activity in CESEE before and after the financial crisis. The obtained results show that economic growth, credit quality, financial intermediation rate, and together with foreign and domestic funding sources are the key determinants of credit growth. The credit contraction after the crisis is largely due to the lack of willingness to take risks, as well as the lowering of banks' external financing.

Euroisation drivers and effective policy response: An application to the case of Albania

Authors: Guido della Valle; Vasilika Kota; Romain M Veyrune; Ezequiel Cabezon; Shaoyu Guo

This material proposes a methodology for drafting de-euroization policies based on empirical and theoretical approaches. The material introduces for the first time an empirical assessment of the optimum level of euroization. The results show that euroization in Albania is above the optimal level, so it needs to be dealt with Euroization policies. In the long run, de-euroization requires maintaining a low and stable inflation rate under the terms of exchange rate flexibility. In the short term, policies addressing the risk of financial stability also contribute to de-euroization, making banking intercession in the euro less attractive to the public.

An Alternative to Measure the Clarity of the Monetary Policy Communication at the Bank of Albania: 2005-2016

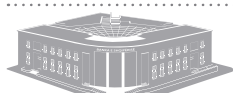
Author: Evelina Çeliku

The article explores the clarity of Bank of Albania's communication on monetary policy inflation and decision-making during 2005-2016, using the Flesch-Kincaid (FK) grade level indicator. The results show a downward trend of FK, suggesting the development of a clearer monetary policy communication over the years.

Indicators of Early Warning of Systemic Banking Stress in Albania's Case

Author: Odeta Koçillari (Minka)

This material is primarily aimed at finding indicators of early warning of systemic stress in the Albanian banking sector, which may serve to the decision-making for the activation of certain macro prudential policies. The study concludes that the private sector credit gap ratio against GDP against its long-term trend, shows good warning skills accumulation of banking sector imbalances, which may cause future crises.



An assessment of the financial cycle for Albania**Authors: Vasilika Kota and Arisa Goxhaj (Sage)**

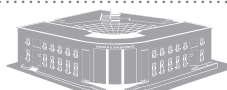
The assessment of the financial cycle and its various phases is important for building appropriate macro prudential policies and instruments aimed at mitigating systemic risk. This material has the main purpose to assess the financial cycle in Albania by creating a synthetic indicator as its potential gauge. The results show that the ratio of credit to GDP ratio, housing price index and credit growth rate are the best choice in building a synthetic index in measuring the financial cycle and that this cycle is positively correlated with periods of financial stress, which should be considered in policies that can be implemented.

The impact of low interest rates on the profitability of the banking system**Authors: Adela Bode, Meri Papavangjeli, Besa Vorpsi**

The decline of the key interest rate on the part of the Bank of Albania in recent years has made it necessary to investigate the impact of monetary policy on the profitability of banks. The material analyses the impact of monetary policy on net interest income through the investigation of a non-linear relationship between the two variables. The results suggest a significant concave link between the key interest rate and the net interest margin only for small banks, while for the bigger banks, the bond appears poorly. The study was presented at the XI European Economic Research Workshop of South Eastern Europe (4-5 December 2017).

The lower limit of the effective interest rate in euroized economies -the case of Albania**Authors: Guido della Valle; Erald Themeli; Romain M Veyrune; Ezequiel Cabezon; Shaoyu Guo**

This material proposes the creation of a framework for the assessment of the lower interest rate in small and euro-denominated economies, based on the experience of the Bank of Albania. It introduces a monitoring tool to identify the negative consequences of low interest rates. A high preference for banknotes encourages economic agents to demand higher deposit rates, raising the lower interest rate limit to zero. Financial euro-adoption brings the lower interest rate increase due to the higher currency substitution trend. Policies aimed at reducing financial euroization contribute to lowering the lowest interest rate limit.



2.11 EUROPEAN INTEGRATION AND INTERNATIONAL CO-OPERATION

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

EUROPEAN INTEGRATION

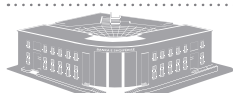
The Bank of Albania continued to contribute to the fulfilment of the obligations deriving from the Stabilization and Association Agreement, the Progress Report of the European Commission, participation in joint EU-Albania subcommittees and the National Plan for European Integration. It coordinates and prepares relevant reports related to Chapter 4, "Free Movement of Capital", and Chapter 17 "Economic and Monetary Policy". On the other hand, it is also contributing to six other chapters of the European Union *acquis*.

Throughout the year, the Bank of Albania has given its contribution for the timely and qualitative preparation of all the relevant documents described above, and has been an active member of all joint meetings between Albania and the European Commission.

The document "EU-Western Balkans Strategy: a credible enlargement perspective" confirms the will of the European Union for the further enlargement of the European family with SEE countries. More concretely, membership of these countries is assessed as an important geo-strategic investment for a stable, strong and united Europe based on common values. In the absence of the Progress Report, the most important document related to the prospects of EU accession was introduced by the European Commission in early 2018.

The document commends the progress achieved insofar and states that: "Albania is making significant progress on its European path and the Commission is ready to prepare recommendations to open accession negotiations, on the basis of fulfilled conditions."

At the same time, it should be noted that deepening economic reforms is vital for rapidly and effectively addressing structural weaknesses, like low competition and high unemployment rates.



In all joint meetings during 2017, Bank of Albania's contribution to preserving and further consolidating the macroeconomic and financial balances has been commended. The monetary policy pursued by the Bank of Albania is considered as adequate for the return of inflation to target and supporting the recovery of economic activity.

The Bank of Albania has continued to regularly follow the implementation of the Stabilization and Association Agreement as well as the National Plan for European Integration. It has participated in the Stabilization and Association Committee meetings, as well as in the meetings of the Subcommittee on Internal Market and Competition, and economic, financial and statistics issues.

In the context of foreign technical assistance, the Bank of Albania has continued its close cooperation with the representatives of the Directorate-General for Neighbourhood and Enlargement Negotiations to benefit under the Technical Assistance for and Information Exchange (TAIEX), a short-term assistance instrument. This instrument is provided by the European Union to assist candidate and potential candidate countries in knowing and approximating the legislation and standards with those of the EU.

For 2017, assistance within TAIEX focused mainly on approximation of the legislation in the fields of banking supervision, human resources, payment systems, document administration and electronic security system.

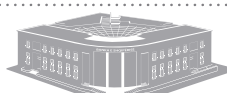
INTERNATIONAL COOPERATION

Relations with the International Monetary Fund

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

In February 2017, the three-year agreement under the Extended Fund Facility (EFF) program for Albania aimed at boosting economic growth and controlling the rapidly rising public debt that had threatened economic stability. On 24 February, the Fund completed two final program reviews, which resulted in a disbursement of SDR 57.28 million (about EUR 73.2 million), bringing total disbursements to SDR 295.42 million (about EUR 377.3 million).

The completion of the three-year agreement closes an intensive co-operation chapter with the IMF. Currently, Albania will have normal monitoring and consultation relations with the IMF, like all other countries, in the context of discussions on Article IV. The latest consultations ended on 4 December 2017. According to the IMF Executive Board's statement, published on 13 December



2017,⁴⁶ "Albania's economy continues to strengthen, benefitting from rising domestic demand, large energy-related FDI, and a recovery in key EU trading partners. Fiscal and financial vulnerabilities have been lowered; however, challenges remain from the high level of public debt and financing needs, non-performing loans (NPLs), and institutional weaknesses that hinder investment. The clear government mandate following election victory in June, the favourable economic outlook, and the prospects for opening negotiation for EU accession provide a window of opportunity to resume implementing the reform agenda. Albania remains under Post-Program Monitoring."

The Bank of Albania has continued to benefit from IMF technical assistance. During 2017, in addition to the two long-term advisors, the Bank of Albania has been visited by several IMF missions to provide technical assistance and expertise in areas such as banking supervision, financial stability, statistics, monetary policy and accounting.

Relations with the World Bank Group

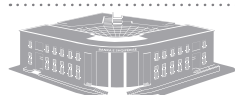
The World Bank Group supports Albania through the Partnership Framework covering the period 2015-2019, which aims to support Albania's aspirations for equal growth and integration into the European Union. Over the years, the World Bank Group has provided over \$ 2.2 billion in assistance to the country. Currently, nine projects amount to a total of USD 544 million under IDA loans and IBRD loans. Albania is in the same constituency as Greece, Italy, Portugal, Malta and Timor Leste.

In the framework of the "Reserves Advisory and Management Program" (RAMP), cooperation with the World Bank has continued for the annual training related to the needs of the Bank of Albania staff in order to maintain, consolidate and further increase professionalism of employees involved in reserve management.

The World Bank has also continued to fund staff participation in specialized education programs such as CFA (Chartered Financial Analyst), CIDA (Certified Investments and Derivatives Auditor) and PRM (Professional Risk Manager).

The Bank of Albania continued its cooperation with the World Bank in the framework of the implementation of the project "On measuring the cost of payment instruments". The project, which is based on the World Bank's methodology, aims to identify and measure all types of costs of various payment instruments used in the economy in order to create a strategy for reform and efficient development of the payments market. Following this cooperation, two other projects have been initiated, also aimed at promoting payment services from the perspective of remittances, as well as fostering public financial inclusion in these services.

⁴⁶ <https://www.imf.org/en/Publications/CR/Issues/2017/12/13/Albania-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45468>



Following the entry into force of the Law on Recovery and Resolution, the Bank of Albania has obtained VWB assistance for the establishment of the Resolution Department and drafting relevant regulatory acts.

Relations with other international institutions

Throughout the past year, the Bank of Albania cooperated with central banks of the European Union, including with the Bank of Italy, in the framework of a bilateral agreement addressing a number of areas of central banking. It has also cooperated intensively with the central banks of France, the Netherlands, Germany and Poland.

Over the past year, cooperation with University of Oxford continued, culminating in the annual conference of the Bank of Albania on "Developments in the banking market and the infrastructure of financial markets. The role of structure, size and market infrastructure in risk mitigation and financial intermediation", 9 November 2017.

The Bank of Albania continued to co-operate with the FSVC, focusing on capacity building in the management of operational risk and of business continuity.

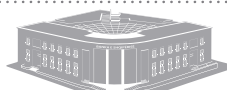
During 2017, cooperation with the Geneva Institute continued, with the support of the Secretariat for Economic Affairs of the Swiss State (SECO). This cooperation focused on research at the Bank of Albania in terms of better modelling and understanding long-term macroeconomic relations and interdependencies.

During the year, the Bank of Albania continued to maintain contacts with the European Bank for Reconstruction and Development (EBRD) in reviewing the regulation on capital adequacy and continued to be an active participant in all the training activities provided by the Centre for Financial Excellence, an institute specialized in economic and financial affairs of the South-east European countries.

PARTICIPATION IN INTERNATIONAL CONFERENCES, SEMINARS AND FORUMS

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

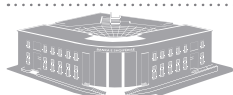
- On 16 January 2017, Governor Sejko attended a seminar organized by the National Bank of Austria and the World Bank on the presentation of the VWB report on "Risks and Returns: Managing Financial Trade-offs for Inclusive Growth in Europe and Central Asia", Vienna, Austria.
- On 17 - 18 January 2017, First Deputy Governor Ms Gjoni attended



the Central and Eastern European Forum, organized by Euromoney Conferences in Vienna, Austria.

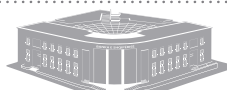
On 8 February 2017, Governor Sejko attended the Constituent Meeting of the International Monetary Fund and the World Bank Group, in Rome. This meeting aimed to discuss the latest developments in the global economy and other respective economies among governors and finance ministers of the member states of this constituency.

- On 6 March 2017, Second Deputy Governor Ms Ahmetaj attended the 9th meeting of the Vienna Initiative Forum, organized at the headquarters of the European Investment Bank in Luxembourg.
- On 9-11 May 2017, Governor Sejko attended the Annual Meeting of the European Bank for Reconstruction and Development (EBRD), "Targeting Green and Inclusive Growth - Meeting Regional and Global Challenges", Cyprus.
- On 23 May 2017, Second Deputy Governor Ms Ahmetaj attended the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, in Brussels, Belgium.
- On 17-18 May 2017, Governor Sejko attended the Advisory Group Meeting and Annual Meetings of the European Fund for South Eastern Europe (EFSE) in Split, Croatia. This year marked the 10th annual meeting organized by EFSE. On this occasion, the conference focused on "Enabling financial inclusion, start-ups and entrepreneurship", and was attended by central bank governors and senior managers, EFSE representatives, and leading banking and microfinance industry executives, representatives of the business and media organisations.
- On 12 June 2017, Governor Sejko delivered a lecture at the South East European Studies Centre of the University of Oxford, London, on "Economic and financial challenges in South East Europe, and the role of the central bank as guardian of price and financial stability.
- On 16 June 2017, Governor Sejko attended the annual summit of regional countries on "Regional financial stability in a new global environment", Bečići, Montenegro, which was attended by the central bank governors of Montenegro, Macedonia, Bosnia and Herzegovina, Croatia, and the deputy governors of the central banks of Kosovo and Slovenia, as well as finance ministers and tax directors from the countries of the region. This summit addressed the latest developments in the economies of the region and the steps to be taken to ensure sustainable economic growth.
- On 10-11 July 2017, Governor Sejko attended the High Level



Conference "Re-accelerating convergence in Central, Eastern and South-Eastern Europe - The Role of Governance and Institutions" organized by the Croatian National Bank and the International Monetary Fund in Dubrovnik, Croatia.

- On October 5, 2017, Governor Sejko attended the 7th Conference on Central, Eastern and South Eastern European countries (CESEE) on "Institutional Quality and Sustainable Economic Convergence" organized by the European Central Bank (ECB) in Frankfurt, Germany.
- Annual and Spring Meetings of the International Monetary Fund and the World Bank Group, in Washington DC, in April and October 2017, where the Bank of Albania was represented by Governor Sejko, First Deputy Governor Gjoni and other senior officials.
- 37th and 38th Meetings of the Governors' Club of Central Asia, Black Sea region and Balkan countries in April 2017 in Antalya, Turkey and in September 2017 in Moscow, Russia.



2.12 TRANSPARENCY AND COMMUNICATION WITH PUBLIC

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

AN OPEN AND TRANSPARENT CENTRAL BANK

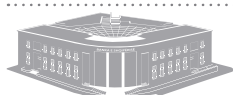
Beyond the legal obligations, the Bank of Albania communicates to the public a variety of information about its role and activity, from the decision-making of the Supervisory Council to its daily operational activity. This transparent communication helps to increase the effectiveness of the policies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

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

The Monetary Policy strategy is based on a defined decision-making cycle in an annual calendar of 8 meetings of the Supervisory Council. A press conference with the Governor is held after each meeting to explain to the public the decision taken by the Supervisory Council and the analysis used to corroborate this decision. Relevant press conferences were organized in response to this cycle, in 2017, during which the Governor has responded to the media interest on various issues related to the Bank of Albania. In 2017, press conferences were followed by the publication of the Governor's speeches, and the related Q&A in Albanian and in English.

Also, during 2017, after each meeting, a brief summary of key decisions taken by the Supervisory Council of the Bank of Albania was published. All public decisions of the Supervisory Council were fully published in the Official Bulletin of the Bank of Albania, in 9 editions of this publication.

In addition to monetary policy decision-making, the Bank of Albania publishes comprehensive information also in the area of banking supervision and financial stability, notably the Annual Supervision Report and the Financial



Stability Report, which analyse the important developments of the financial system during one half-year period and evidences the factors that represent systemic risk.

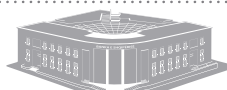
The Bank of Albania's communication is complemented continuously and in real time with a series of surveys, analyses, data, and assessments of Bank of Albania's opinions on the country's macroeconomic situation and the role of the Bank in supporting financial stability. During 2017, the activity of the Bank of Albania was communicated to the public mainly through 122 press releases, speeches, interviews and TV shows.

Communication with the public is tailored according to the interest, academic level and professional level of targeted groups by the Bank of Albania, among which, media has an important role. In this framework, the media is continuously informed and sensitized on issues related to BoA and on economic and financial performance of Albania. Also, during 2017, media communication continued through press conferences, speeches, presentations and lectures in activities organized by the Bank of Albania or other domestic and foreign institutions, dedicated interviews or participation in TV shows, expression of positions on specific issues of interest to the Bank of Albania or other public activities of the Governor and other representatives of the Bank. During this year, 7 of its periodic reports were presented "off-the-records" to the media. These meetings aim to guide the media for a correct understanding of the decision-making of the Bank of Albania and are seen as effective means of communication with the public.

In order to increase interaction with the public, in 2017 we have added digital communication through social networks such as Twitter (information), YouTube (video) and Flickr (photo), transmitting the Bank of Albania's general activity to the public, in real time.

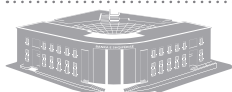
ACTIVITIES IN ALBANIA

- On 2 February 2017, under the auspices of the Second Deputy Governor, Ms Natasha Ahmetaj, the Bank of Albania, in cooperation with the World Bank, organized the workshop on "Financial system in Albania - From 2025 scenarios, to action today". The workshop was conceived as a dynamic discussion platform to exchange views on challenges, identify and manage risks, test different strategies, bringing the future to day-to-day thinking.
- On 15 February 2017, on the initiative and under the auspices of the Governor of the Bank of Albania, Mr Gent Sejko, a discussion meeting was held between the Bank of Albania and the Executive Committee of the Albanian Association of Banks. The main purpose of this meeting was to intensify the dialogue and cooperation between the Bank of



Albania, the Albanian Association of Banks and commercial banks operating in Albania, on issues particularly related to the security of conducting the banking activity, the transport of monetary values, and to discuss the financial, lending and operational activity of the banking system.

- On 4-5 May 2017, the Bank of Albania, in cooperation with the International Monetary Fund, and sponsored by the Swiss State Secretariat for Economic Affairs, Economic Cooperation and Development (SECO), organized the conference "Negative Euro Area Interest Rates and Spillovers on Western Balkan Central Bank Policies and Instruments". Participants attending this conference were senior officials Western Balkan central banks, including the central banks of Bosnia and Herzegovina, Kosovo, the Republic of Macedonia, Serbia; European Central Bank; other European central banks, including Bulgaria, Croatia, Hungary, Romania; the Swiss National Bank, the Bank for International Settlements (BIS) and representatives of the academy.
- The National Payments System Committee held its third meeting on 9 May 2017, chaired by the First Deputy Governor of the Bank of Albania, Ms Elisabeta Gjoni, who also chairs this Committee. The purpose of this Committee is to support and contribute to enhancing the security, stability and efficiency of the national payment system in Albania. Beyond the advisory role, the Committee aims to facilitate the implementation of measures of the relevant authorities by fostering cooperation.
- On 5 September 2017, the Bank of Albania organized the workshop "Factoring in Albania", in cooperation with the European Bank for Reconstruction and Development. The purpose of this workshop was to help banks and financial institutions become aware of the advantages of expanding the factoring service in Albania as an opportunity to finance business, especially small and medium-sized enterprises.
- On 6 November 2017, the Governor of the Bank of Albania, Mr Gent Sejko hosted, in an official visit to the Bank of Albania, the Governor of the Central Bank of the Republic of Turkey, Mr Murat Çetinkaya. During this visit, a Memorandum of Cooperation was signed, which aims to foster cooperation between the two central banks.
- On 9 November 2017, the Bank of Albania, in co-operation with the South East European Studies Centre of the University of Oxford, held its annual conference on "Banking developments and financial market infrastructure." "The role of structure, size and market infrastructure in risks mitigation and financial intermediation" This conference was organized in three sessions, with welcoming addresses by the President of the Republic of Albania, Mr Ilir Meta, the Governor of the Bank of Albania, Mr Gent Sejko, the Minister of Finance and Economy, Mr Arben Ahmetaj and the Director of the South East European Studies Centre at Oxford University, Mr Othon Anastasakis.
- On 4-5 December 2017, the Bank of Albania organized the 11th South-east European Economic Research Workshop. This workshop aims to encourage discussion and promote economic research, as well as regional cooperation in Southeast Europe. The event was attended by representatives of the central banks of the region, academics from



universities and international financial institutions as well as experts from the Bank of Albania.

- *On 11 December 2017, a high level meeting was held between the Bank of Albania, the Minister of State for Diaspora, commercial banks and non-bank financial institutions conducting monetary transfer operations. At the end of this meeting, a Memorandum of Understanding between the Bank of Albania, the Minister of State for Diaspora and the Ministry of Finance and Economy was signed. This Memorandum aimed at raising the awareness, facilitating dialogue and fostering effective cooperation between the parties on issues related to the contribution of remittances by Albanian emigrants for the development of the economy.*
- *On 15 December 2017, Governor Sejko met with the journalists of print and electronic media, economic analysts, managers and other media representatives in Albania. During this activity, the winners of "The Governor's Award for Best Diploma for 2017" were announced. This annual event is dedicated to Albanian students graduated this year in Albania and abroad, for scientific research on issues related to international monetary economics, price and financial stability, economic integration, etc.*

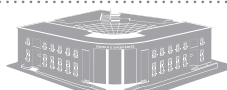
A RESPONSIBLE AND ACCOUNTABLE CENTRAL BANK

The Bank of Albania aims to inform citizens, and in particular the Parliament, on all its activities.

Institutional relations with the Parliament are held in several directions. Governor's hearing sessions in the Parliamentary Commission of Economy and Finance are the most significant ones. Like every year, in May 2017, the Governor presented the Annual Report of the Bank of Albania to this Commission, responding to the MPs' interest in specific issues related to it. During 2017, the Governor presented a public hearing in November, dedicated to the Bank of Albania's opinion on the main points of the draft state budget for the following year 2018.

Citizens can find comprehensive and up-to-date information on the economic and financial situation and the country's key macroeconomic developments, as well as the role of the Bank of Albania's contribution in this regard, on the official website www.bankofalbania.org. During 2017, the website had about 960 thousand visitors who checked our page around 2.800.000 times and browsed in total about 5.300.000 sections.

Our website is constantly enriched with a broad statistics system for many sector of the Albanian economy, such as: banking sector, fiscal sector, real sector and external sector, which are published according to a defined schedule



that is updated semi-annually. Bank of Albania's statistics are also found in the monthly statistical reports and in quarterly monetary policy reports.

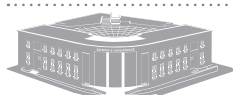
This site also offers all publications of the Bank of Albania, which summarize updated information on the Albanian and world's economy; on developments in the banking and financial system; financial stability and money; changes and enrichments of banking legislation and its regulatory framework; as well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

As the website is one of the main means of communication with the general public and all interest groups, the Bank of Albania has undertaken the project of redesigning this site during 2017. This project aims to improve quality, visual appearance and facilitate its use, which will help to forward the Bank of Albania's philosophy and communication. The new website will be launched within the first quarter of 2018.

Periodic and non-periodic publications, in 2017, consisted of about 3400 pages of analyses, statistics and research in both Albanian and English. The set of periodic reports was the same as in the previous year: Annual Report, Quarterly Monetary Policy Report, Financial Stability Report (semi-annual) and Annual Supervision Report. In addition to the periodical reports, this range is further enriched with the Official Bulletin (depending on the Supervisory Council meetings), the Economics Magazine (half-yearly), the "Research Newsletter" at the Bank of Albania" (half-yearly), the Annual Conference Book 2016. This year, "Central Banking" magazine has been added to the series of publications, which summarizes all of the activities of the Bank of Albania's through which economic and financial policy decision-making has passed during a six-month period. It also reflects the most important moments related to the supervisory activity, the operational one, the educational role, the social and cultural contribution, and the Bank's activity dedicated to the promotion of national values.

During 2017, the Bank of Albania continued to free distribute of all its publications, taking into account the social responsibility regarding reducing paper publication.

In order to inform the public, the Bank of Albania informs its citizens in writing or in electronic form, depending on how they want to receive this information. During 2017, 177 official requests were sent to the coordinator for the right of information and about 180 e-mails to the general electronic address of the Bank of Albania.



2.13 PUBLIC EDUCATION AND THE MUSEUM OF THE BANK OF ALBANIA

The vast majority of modern central banks pay special attention and resources to the financial and economic education of the public. This is because an informed public is more likely to understand and accept the complex decisions the Central Bank takes. Investing in the financial culture of the general public helps central banks increase the effectiveness of monetary policy, to build and operate through efficient mechanisms of its economic decisions. Such a culture helps consumers, producers and investors make wise financial decisions, and the central bank can achieve its objective more easily.

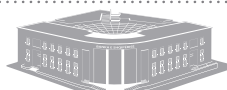
For more than a decade, the Bank of Albania has been engaged in expanding and deepening the financial culture of the public in the country, especially that of the younger generation. Two are the main goals of the programmes, activities and special educational publications prepared by the Bank of Albania: presenting the central bank, its functions and role to the public; and cultivating and strengthening financial literacy in the society. Public education was seen by the Bank of Albania as an opportunity to ensure an adequate environment for the development of its activity; as a necessity to establish the basis for developing an interactive communication with the public; as an irreplaceable tool in view of increasing its reputation and credibility from the public and as an efficient way of increasing the transparency and accountability it intends to transmit.

In order to fulfil the objective of increasing financial literacy in Albania during 2017, the work to educate the public in several directions has continued, such as:

The Museum of the Bank of Albania - The Museum of the Bank of Albania is not only a museum with numismatic information but it also serves for the distribution of financial knowledge to its visitors through educational publications, audio-visual materials and presentations on topics related to central banking and finances for the groups of pupils and students who visit it.

Educational publications - the distribution of educational textbooks: "Personal finance in your hands" continued during 2017 in 10 high schools (in total 1990 textbooks). On the other hand, the distribution of brochures and educational materials prepared in previous years has continued too.

Global Money Week - On 27 March 2017, the Bank of Albania launched the Money Week (March 27 - April 2, 2017), a worldwide holiday celebration



aimed at raising the awareness of the new generation to be future responsible and financially capable citizens.

The Bank of Albania participated for the fourth time in this celebration, in cooperation with the Albanian Association of Banks, with the support of the Ministry of Education and Sports, the Deposit Insurance Agency (ASD), the Junior Achievement (JA) and the National Youth Service (NES), organized educational and awareness activities, including directly around 2200 children and young people.

Educational activities of the Week of Money in Albania include: lectures for university students held by the Governor and Bank of Albania, school and television competitions, visits to the Museum of the Bank of Albania and commercial banks, theatrical performances and educational exhibitions with paintings for children.

The Facebook web page of the Bank of Albania - Created in 2014, with the purpose of promoting and cultivating a financial culture, the Bank of Albania website on Face book has served as another way of approaching the public, mainly the youngest in age. During 2017, about 125 posts were published to acquaint the public with educational material, numismatic curiosities, activities and publications of the Bank, reaching over 11,000 followers

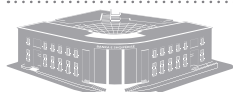
THE MUSEUM OF THE BANK OF ALBANIA

The Bank of Albania Museum was inaugurated on 30 October 2015. It is located within the central bank building in the capital's main square and extends into two floors, each of which is conceived as an independent space from one another.

On the first floor, where the Treasury Room is located or otherwise known as "Rondo", is presented the rich numismatic collection of the Bank of Albania. Visitors can get to know the historical and numismatic values that the coin has, through treasury exhibits, collections of coins and banknotes that have been circulated and used in the country's historic territories, from antiquity to the present day.

The second floor presents the history of the central bank institution in Albania, its role in maintaining price stability and guaranteeing the financial stability of the country, as well as constitutional functions. With a particular focus on public education, its second floor also serves as an information centre where visitors can be interactively informed, as well as develop lessons, lectures or other didactic activities in the field of money and economy.

During 2017, the Bank of Albania Museum was visited by 3248 visitors compared to 2103 visitors during 2016.



HIGHLIGHTS OF THE MUSEUM OF THE BANK OF ALBANIA IN 2017

Each year, the Museum of the Bank of Albania organizes activities to attract new visitors and increase cooperation with scholars, academics, museums and other institutions, as well as specialized institutions in economic, historical and cultural heritage research.

For 2017, the Museum organised the following activities:

1. *Treasury curiosities: The Art of the Albanian Banknote*

On 18 May 2017, within the framework of the International Museum Day, the Museum of the Bank of Albania organized a lecture titled "Treasury curiosities: The Art of the Albanian Banknote". The activity continued with a temporary exhibition of sketches, drawings and auxiliary materials used for designing Albanian banknotes and sketches and other works by students of the University of Arts related to the banknote.

2. *International Conference "Money and banking in Albania, from antiquity to the present day"*

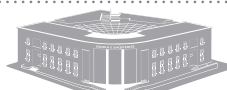
The first conference of the Museum of the Bank of Albania was organized on 14-15 June 2017 on "Money and banking in Albania from antiquity to modern times." The first day of the conference brought together historians, numismatists, archaeologists and researchers of monetary and economic history to present and discuss the findings of their studies in the fields of monetary production and circulation, economic history and banking development in our country, from antiquity to our day. The event was organized in four sessions in which 20 studies were presented. The second day of this conference focused on the educational role of museums of central banks in knowing the history of money, banking and on enhancing financial literacy through exhibitions, education and innovation, bringing together experts from seven museums of central banks in the region.

3. *"Museum Nights" lectures*

The "Museum Nights" lectures co-ordinate and integrate knowledge about the currency at the exhibition of the Museum of the Bank of Albania with information found in archives, libraries, private collections or exhibited through architecture, sculpture, visual arts and pictures across other museums in the country. Lectures are followed by visits to the Museum.

The first lecture was held by Mr Artan Lame, on "Currency circulation in Albania during the Ottoman Period", 30 October 2017. The lecture addressed the Ottoman currency, from its introduction in the XIV cent. until the Tanzimat Reforms in XIX cent., characteristics and types of the currencies that circulated in Albanian territories." The lecture also focused on the circulation of European currencies in Albanian territories before and during the use of the Ottoman currency.

The second lecture of the "Museum Nights" was delivered by Prof. Dr Nevila Nika, UET, on: "Archive: the bank of memory", 20 November 2017. The lecturer referred to the archives as a unique legacy that passes from one generation to the other, as well as on the essential role they play in developing societies as they preserve and contribute to individual and collective memory.



3. INSTITUTIONAL CAPACITY DEVELOPMENT

The objectives, activity, and human resources policies aim to create a motivational work environment that serves, among other things, to develop professional capacities of employees, adopt the best standards of central banks in this area, as well as continuously improve the administrative processes of the institution.

HUMAN RESOURCES

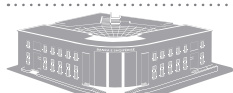
Pursuant to the medium-term strategic objectives of the institution, the human resources management policy has focused on the acquisition and implementation of the best human resource management practices applied in similar institutions in the European Union. The pursuit of proactive policies on employment,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

Effective human resources management attaches particular importance to adapting the institution's regulatory infrastructure to the best standards, as well as offering promotion opportunities for professional employees, aiming at increasing employee motivation. Also, 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 56% - 43%.

During 2017, within the legal changes in the field of banking, some changes were made to the organizational structure of the Bank. These changes aimed to improve and strengthen some important processes, like better adaptation of the structures of some of the Bank's units with specific tasks stemming from the objectives and activity of the institution as well as the creation of a new organizational unit that will exercise the function of the resolution authority, a function the Bank of Albania did not have.

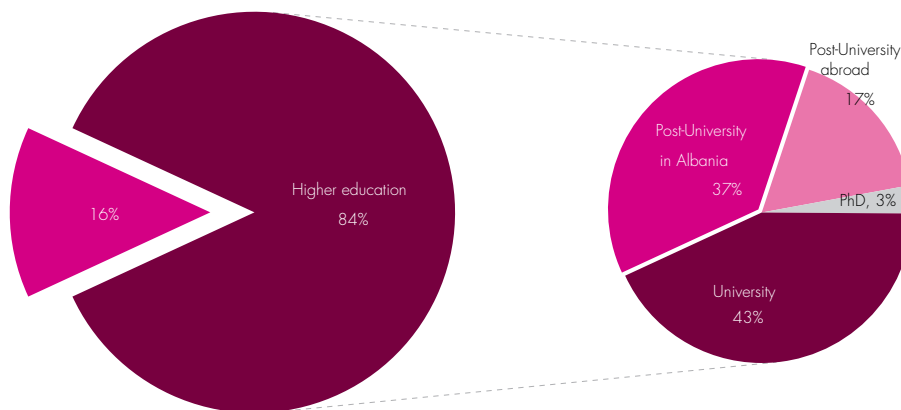
The Bank of Albania has consistently paid attention to combining experience with innovation, within departments and beyond. Currently, the average age of



the staff is 43 years old. About 57% of employees have completed postgraduate studies at the Master / PHD level, and have obtained internationally-recognised professional certificates, while 2% of employees are studying to get them.

As noted in the chart No 49 84% of employees in the Bank have higher education. 37% have completed postgraduate studies in the country and 17% in prestigious universities abroad.

Chart 49. Employees according to education level

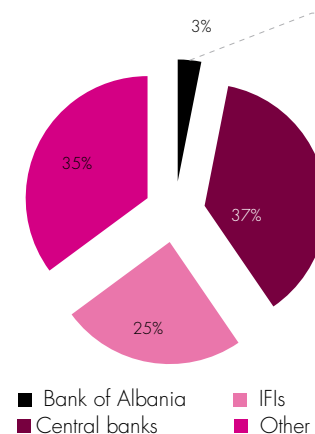


Source: Bank of Albania

Another important element of human resources policy is the identification of interpersonal and professional skills and their usage to train and build professional capacities of the employees. Bank of Albania staff has grown professionally, as a result of the professional trainings they have attended in Albania and abroad. Participation in these specialized training, organized by central banks, international financial institutions (IFIs) or other institutions, besides increasing the professional knowledge, serves the staff of the Bank also to exchange professional and managerial experiences with representatives of these institutions. Below, we graphically present the training activities according to the organizers.

As noted from the chart No.50, the highest participation in training (37%) was respectively in European central banks of Germany, Italy, the Czech Republic, the Netherlands, France, the European Central , etc. The trainings conducted by International Financial Institutions account for 25% of the training courses attended, namely: International Monetary Fund, EBRD, BIS. About 35% of training courses has been offered in cooperation with other

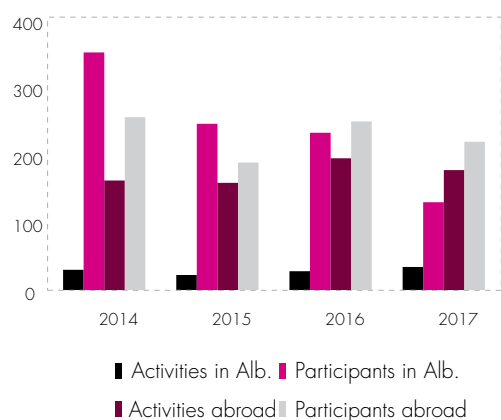
Chart 50. Training activities by organiser



Source: Bank of Albania



Chart 51. Training activities and participation in Albania and abroad



Source: Bank of Albania

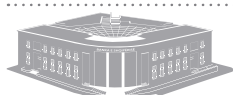
organizers such as JVI (Joint Vienna Institute), European Commission, EBA, EUROSTAT, IFC, JP Morgan, CEF (Center for Excellence in Finance).

Compared with 2014, in 2016 and 2017, the number of training courses organised abroad decreased, enabling a fairer and more targeted distribution of activities. Most of the professional trainings in 2017 were carried out in the field of Financial Stability (12.89%), Monetary Policy (12.44%), Banking Supervision (9.78%), Central Banking (9.78%) and Financial Statistics (8.89%). The rest of the training has been organised in areas such as: internal auditing, currency issuance and money management, statistics, accounting and finance, economics and models, etc.

It should be noted that the largest number of professional training is focused on building the central bank's institutional capacity to fulfil its core functions.

AGREEMENTS AND COLLABORATION

Within the three-year programme as part of the SECO agreement (Swiss State Secretariat for Economic Affairs), in 2017, four workshops were organized with lecturers from prestigious Institutions / Universities. Thirty-four employees from various departments of the Bank participated in these activities. Also, within this cooperation, four staff participations were recorded in the IV Annual Conference organized by SECO and the Graduate Institute of International and Development Studies (GIIDS).



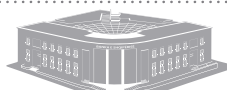
SOCIAL POLICIES AND SOCIAL RESPONSIBILITY

The Bank of Albania aims to maintain and to further strengthen social values, increase the awareness of its employees in terms of support for vulnerable groups or various social causes. Examples of these efforts are initiatives to support financial education, create a better environment for vulnerable communities, and volunteer activities to contribute to improving the quality of life for the marginalized segments of the society. Based on the law "On the Bank of Albania", the latter cannot allocate financial aid or donations. Yet, within social responsibility and civic sensitivity, during 2017, employees have voluntarily contributed to various humanitarian activities as a moral response to the achievement of common community goals.

On 1 June, on the "International Children's Day", Bank employees provided monetary and material support (gifts from employees), on a voluntary basis, for the purchase of sports clothing, teaching aids, computers and professional printers, and others items, according to the needs presented by the "Institute of Blind Students - Ramazan Kabashi", Tirana.

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

On 2 April 2017, the Bank of Albania's central building was decked in blue to mark the World Autism Day as part of a common national awareness raising initiative for it. On the occasion of the end of the year, a sale of postcards prepared by the children of the village "SOS" and the children of the "Down Syndrome Foundation" was organized, at the premises of the Bank. Profits from the sale of cards will be used to meet their needs.



4. INTERNAL AUDIT

Internal audit at the Bank of Albania is carried out by the Control Department. 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 the verification and evaluation of internal audit systems by testing certain controls and procedures but not being their substitute.

4.1 HIGHLIGHTS IN INTERNAL AUDIT IN 2017

Implementation of the Internal Audit Policy

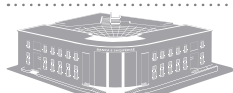
With the approval of the Internal Audit Policy and the revision of the Regulation on the Functioning of the Control Department, the Annual Internal Audit Plan at the Bank of Albania was reviewed and approved in accordance with International Standards on Auditing. The annual plan for 2017 was drafted by the Control Department and the Inspector General and was submitted for review by the Audit Committee. Furthermore, agreed by the Audit Committee, the plan was presented to the Supervisory Council, and was approved by its Decision No.7 of 01.02.2017.

Implementation and use of an application for internal audit and risk management purposes

During 2017, the implementation of an application for automated audit management and operational risk management started. Thus, during April, the staff members of the Control Department and of the Operational Risk Unit were trained on how to use it and on the newest options offered by this application. Later, the staff worked on entering historical records of Internal Audit and Operational Risk. With the implementation of the new system, the audit universe of the Bank of Albania was revised, according to unified functions and processes, also for operational risk management purposes. During 2018, most of the internal audit activity are expected to be realized and documented in the new application.

Implementation of the audit methodology for risk assessment purposes through the internal audit application

The proposed 2018 plan was based on the Risk Assessment process for audit purposes through the first planning application with the new Pentana system.



Risk-based planning through this system increases the quality of planning based on the risks identified during the audit and updating of the audit universe with the risks and processes identified continuously from the Operational Risk Management process.

This process is also one of the issues identified by the External Quality Assessment by the central bank of the Netherlands (DNB) in 2015, implementing a fully risk-based audit plan.

Consolidation of relations with the ORM unit

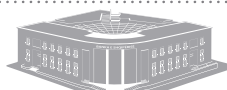
With the establishment of the Operational Risk Management (ORM) Unit in 2016, and the approval of the Operational Risk Management Policy and the Regulation on the functioning of this Unit, the reporting and cooperation lines between this Unit and the Control Department were consolidated to meet the objectives of each party.

The ORM Unit, at the beginning of each audit, makes available to audit teams (inspectors) the list of operational risks that have been identified, managed by the Unit and monitored by the ORM. Meanwhile, the Control Department makes available to the ORM Unit, at the end of each engagement, the audit report, risk assessment of the function and findings, format of risk-check processes, and any other information that may apply to operational risk management, in addition to the monthly reporting of operational risks related to the internal audit itself.

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

During 2017, the Control Department carried out the "Self-Assessment of Internal Audit Quality Assessment", based on the (The Institute of Internal Auditors) IIA Guide and its standards on assessment of the internal audit function (Quality Assessment). This commitment, beyond fulfilling the main objective for the quality assessment of Internal Audit, fulfils one of the recommendations left by the External Quality Assessment Project, conducted by the central bank of the Netherlands (DNB) in May 2015.

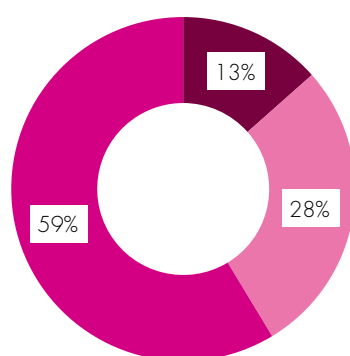
At the end of this engagement, the Control Department assessed the compliance of the Internal Audit Activity with the International Professional Practices (Standards / IPPF), as well as evaluated the current status of the recommendations given by the External Quality Assessment (EQA). The table below shows the situation at the end of 2017 regarding the External Quality Assessment (EQA) recommendations left by the central bank of the Netherlands (DNB) and the results of the engagement of the Internal Audit Self-Assessment:



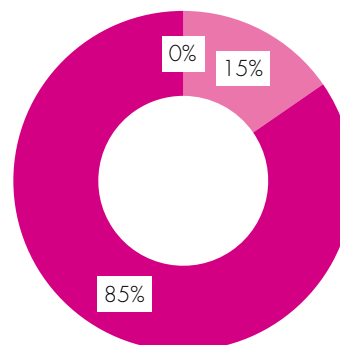
Compliance levels according EQA	External quality assessment (EQA) 2015	Quality self-assessment (IQA) 2017
Does not comply	14	-
Partly complies	29	16
Complies	61	88
TOTAL	104	104

Chart 52. Internal audit assessment (EQA, 2015) and self-assessment of quality (2017)

Assessment according to EQA 2015



Self-assessment of IA quality in 2017

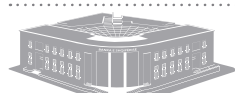


Source: Bank of Albania

According to the chart above, only 15% of the standards are not fully implemented (in accordance with the best practices provided by the IPPF of the International Institute of Internal Auditors):

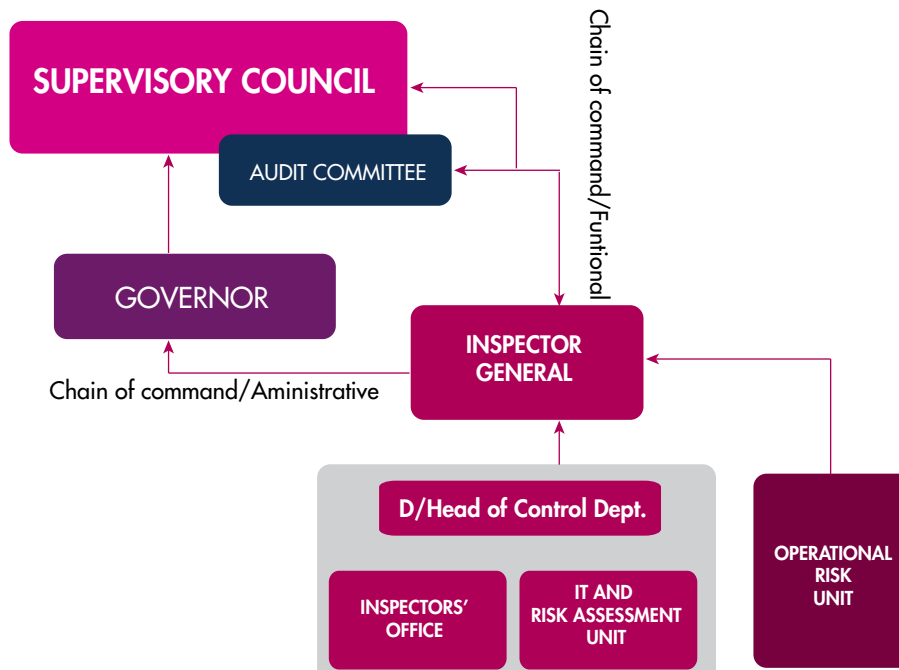
4.2 ABOUT THE CONTROL DEPARTMENT

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



Organizational structure of Control Department

During 2017, the organizational structure managed by the Inspector General was almost complete and had the necessary resources to engage.



Professional capacity building and continuous training

In order to meet the strategic objective of capacity building of internal audit staff members, audit inspectors have been involved in training programs for internal audit and risk management provided by central banks, have attended individual programs for their professional development, and have taken professional membership / certification exams from international institutions in the field of finance and audit. During 2017, audit inspectors initiated and continued attending the ACCA, CIA, CISA certification programs and attending minimum mandatory classes for upholding CIDA, ACCA, CA titles.⁴⁷

4.3 ENGAGEMENTS AND MAIN FINDINGS IN 2017

Audit engagements in 2017 focused on: (i) giving an opinion on the adequacy of internal audits set by the Management for the audited functions / processes, including applications supporting activities; and (ii) other not planned audit

⁴⁷ ACCA - Association of Chartered Certified Accountants
 CIA - Certified Internal Auditor
 CISA - Certified Information Systems Auditor
 CIDA - Certified Investments and Derivatives Auditor
 CA - Chartered accountant



and non-audit engagements with a special request by Administrators or other institutions.

During 2017, in total, 48 new recommendations resulted from 7 audit engagements for security, excluding suggestions resulting from consultancy engagements and engagement in "Self-Assessment of Internal Audit Quality in BoA". 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.

4.4 HIGHLIGHTS IN THE OPERATIONAL RISK MANAGEMENT IN 2017

Following the successful completion of the project "On the Implementation of the Framework for Banking Operational Risk Management" in June 2016, the Bank of Albania managed to establish within a year the proper infrastructure, the functionality and efficiency of the responsible unit for the Operational Risk Management.

The objective of the Operational Risk Management is to manage uncertainties, and to inform and 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.

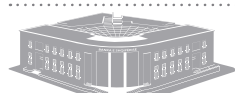
Assessment of Operational Risk Management by international experts

The operational risk management function was consolidated during 2017 at the Bank of Albania. This was achieved due to: a) the expression of tolerance on operational risk by the Supervisory Council, b) Drafting and approval of action plans by the Administrators, c) Periodic review and reassessment of the Operational Risk Database by the ORM unit.

As a result of these developments, the level of maturity of ORM's activity (estimated by the IORWG international experts) was significantly increased to 69.22% for 2017 (from 50.32% at the end of 2016). This is considered the initial stage of the third level of risk assessment as "Managed" ($\geq 69\%$ of this level III).

AD-HOC	BASIC	MANAGED	ADVANCED	MATURED
<61%	$\geq 61\%$	$\geq 69\%$	$\geq 86\%$	$\geq 94\%$

The assessment is carried out by the International Operational Risk Working Group (IORWG), part of which is also the Bank of Albania. This organization is made up of 70 central banks and has been active since October 2005. Following this process, the progress of the maturity level of the Operational



Risk Management has shifted from 'ad-hoc' to 'managed', thus overcoming the 'basic' level. This assessment exceeds the Bank of Albania's expectations for the end of 2017.

This maturity level indicates that in the risk management policy, the Board (Council) determines the implementation of the risk management structure, and supports the expression of risk appetite. There is a defined risk matrix and a governance structure directly reporting to Senior Management. The exchange of information between the risk units is ad-hoc (as necessary) and periodic. Qualitative and quantitative methods are used for assessing and monitoring operational risks, which may include, as appropriate, Key Risk Indicators (KRIs), risk analysis, incidents and internal losses. Also, the results from the assessment of the Operational Risk Management Unit are taken into consideration in the tactical / operational decision-making processes by the Bank of Albania units.

Independent rating certifies the level of maturity by an independent international organization and demonstrates the importance given by the Bank and the Supervisory Council to the Risk Management function at the Bank of Albania, awareness raising and education of people at all levels for risk management, which has affected and will affect the well-functioning and the continuous improvement of the basic and supportive functions regarding risk management.

Increase and implementation of operational risk culture at bank level

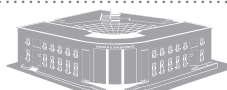
One of the main engagements of the ORM unit is to further increase the operational risk culture at the bank level in order to reach the objective of the well-functioning of the ORM process in the short term, with a view to ensuring that all employees have the knowledge and speak the same language regarding the operational risk.

Particular importance was given to the incident reporting standard during 2017, to the consistency of reporting the horizontal events (which affect some units except the reporting one), near-miss events and immediate notification in case of high-impact incidents.

Continuation of the next important BCM Project - Business Continuity

Business Continuity Management (BCM) is an activity-oriented process that establishes a strategic and operational regulatory framework according to the needs, which:

- Proactively improves the organization's recoverability in case of operational disruptions that make it impossible to meet the main objectives;
- Provides a method for restoring the ability of the organization to deliver



the products and services at the agreed time and quality after the termination of the activity occurs;

- Provides a proven ability to manage the discontinuation of activity and protects the organization's reputation.

During 2017, we worked on the selection, organization and creation of the Working Group that will implement the project for the drafting and implementation of the BCM at the Bank of Albania. This Working Group was created by the Governor's Order no.6025 dated 30.12.2016.

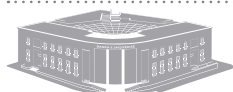
In June 2017, the working group organized several-day training in cooperation with external experts by the Financial Services Volunteer Corps. Along with exchanging experiences and best practices for BCM, this training included a whole day dedicated to the coordinators assigned to follow the BCM in order to familiarize them with topics such as: general information on BCM, main goals, the importance of this program for the Bank, etc.

Upon completion of the Operational Risk Management Project in 2016, the products and data bases created during this project are serving as the foundation for the progress and finalization of the newly initiated project for BCM in the Bank of Albania. Now, with an increased risk culture and drafting/ identification of business processes from all the units of the Bank of Albania, the project for the Business Continuity Management has the necessary basis to develop benchmarks provided in the project plan, which, together with the commitment of each unit, can guarantee the successful achievement of objectives.

Whistleblowing, a new legal function at the Bank of Albania

Pursuant to point 2 of the decision of the Council of Ministers no. 816, dated 16.11.2016, the Bank of Albania, as a public authority which meets the legal requirement for the number of employees, has the obligation to establish a responsible unit to handle and investigate signalling. Pursuant to this decision, and Law No. 60/2016 "On Signalling (Whistleblowing) and Protection of ", in 2017, the responsible unit for whistleblowing at the Bank was appointed, as well as the responsible persons, to carry out the functions of the administrative investigation process following signalling.

Also during 2017, the Bank of Albania drafted and approved the internal regulation "On the Administrative Investigation of Signalling, Protection of Confidentiality and Protection from Retaliation at the Bank of Albania" with Decision of Council of Ministers No. 75, dated 06.12.2017. The implementation of this regulation aims to a) prevent and suppress corruption at the Bank of Albania; b) to promote alerts on suspected corruption actions or practices; c) protect whistleblowers who signal suspected corruption actions or practices at their workplace.



5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2018-2020

The medium-term development strategy represents the ambition of the Bank of Albania for the period 2018-2020. The strategy aims to give a proactive response to the challenges of the environment where the Bank of Albania operates; increase the cooperation within the institution; promote the effective and efficient use of resources; as well promote public transparency and accountability.

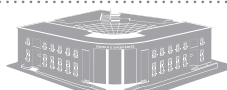
This document is an update of the 2016-2018 strategy, which extends its implementation deadline beyond 2018 and sets the main objectives for the next three year period. The extension of the implementation period provides adequate programmatic support for the Bank of Albania medium-term orientation budget for 2019 and 2020.

The extension of the deadline reflects, at the same time, the medium-term objectives achieved so far, which no longer appear in the content of the strategy. Where necessary, new objectives are foreseen for the period 2019-2020, or the existing objectives have been updated. Determining new objectives has been necessary in areas such as bank resolution, or operational risk management, which are new to the Bank of Albania.

The Bank of Albania has adopted the model of several banks of the European System of Central Banks, which have a dual strategic planning system: (i) a major planning process, once in 3-5 years; and (ii) a (minor), annual, update process.

The Medium-Term Development Strategy 2018-2020 has the mission, vision and core values of the institution unchanged, which represent the starting point of the document. The Mission expresses the reason for the existence of the Bank of Albania and the fundamental purpose orienting its activities. The values summarize the common principles that are part of the Bank of Albania culture and guide the behaviour of employees. The vision clarifies the direction of the Bank of Albania and the way the institution seeks to be perceived from the world (i.e. state institutions, the banking system and the public).

The Objectives derive from the organic law and set the priorities in the Bank of Albania's activity in fulfilling its mission and vision. The implementation of the objectives is based on: (i) human resources: skills, talents and knowledge of employees; (ii) information technology: databases, information systems, networks and technology infrastructure; and (iii) internal organization: culture, management, employees and group work.



The main challenges that the Bank of Albania will face over the next three years are:

a) *Maintaining monetary stability*

Bank of Albania's monetary policy continues to be oriented towards maintaining price stability and aims to foster cooperation with partners in Albania and abroad through better coordination of macroeconomic policies and exchange of information and expertise.

The Bank of Albania's operations aim to increase the flexibility of instruments for the implementation of the monetary policy and the safeguarding of financial stability. The further development of the money market and of the secondary market of government securities, as well as the improvement of AFISaR infrastructure remain Bank of Albania priorities.

b) *Ensuring a stable and efficient financial system*

The implementation of the Macro-prudential Policy Strategy aims to take actions to prevent and treat systemic risk. The Bank of Albania will aim to finalize the definition of the indicators and critical levels for some systemic risk indicators, with a view to operationalizing the macro-prudential instruments and preparing the relevant methodologies. At the same time, efforts will be made to enrich and consolidate databases and reporting forms, harmonize analyses and indicators used by different organizational units within the Bank of Albania, and strengthen analytical and modelling capacities. In particular, work will be done to clarify the relationship between macro and micro-prudential policies with monetary policy, focusing on exchanging and analysing important information as well as on the interaction in relevant decision-making.

c) *Ensuring a sound banking activity*

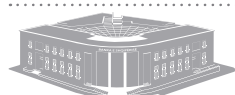
Banking supervision focuses on obtaining a secure sound financial system which guarantees the citizens' confidence and contributes to sustainable economic growth. The development of the regulatory framework is oriented towards Basel's standards and the European Union legislation. Also, efforts will be made to consolidate the risk-based supervision process and improve the quality of financial reporting of supervised entities.

d) *Addressing Possible Issues of Financially Challenged Banks*

As the Resolution authority, the Bank of Albania aims to implement resolutions organized in financially challenged banks, minimizing the impacts on the real economy, public finances and financial stability. The work focuses on setting up a regulatory framework, drafting resolution plans, contributions to the resolution fund, and coordinating actions with other domestic and foreign institutions.

e) *Increase of the quality of statistical data*

Objectives in the statistical field are oriented towards meeting the quantitative standards of international methodologies and European Union legislation, as well as meeting the quality criteria of data, according to international standards.



f) *Improving quality of the national currency*

One of the main objectives of the Bank of Albania is to maintain the quality of banknotes in circulation, in order to increase the public confidence in the currency. This will be achieved through the production of new banknotes that are redesigned with security elements of state-of-the-art technology.

g) *Strengthening the governance of the institution*

Strengthening good governance implies, in addition to consolidating the independence of the institution, in accordance with the Statute of the European System of Central Banks, increasing accountability in the fulfilment of tasks, and in the management of physical, human and financial resources.

Operational risk management is also defined as a primary objective in accountability. This implies a structured, systematic and comprehensive approach to addressing the non-financial risk faced by the institution in all the aspects of activity.

Transparency is another aspect of good governance, closely related to the concept of accountability. The Bank of Albania's main objective in this regard is to provide information and improve communication channels with the public and groups of interest, in order to foster the institution's credibility and monetary policy efficiency.

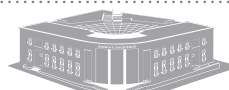
h) *Bank of Albania' resources*

The Bank of Albania is continuing the work for the reconstruction of the former Hotel Dajti. The building will enable accommodation in optimal conditions for around half of the Bank of Albania staff members.





**FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31
DECEMBER 2017
(WITH INDEPENDENT AUDITORS' REPORT
THEREON)**





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Independent Auditors' Report

To the Supervisory Council of Bank of Albania

Opinion

We have audited the financial statements of Bank of Albania ("the Bank"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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



Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements


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




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

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

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



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



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


Tirana, 28 March 2018

STATEMENT OF FINANCIAL POSITION

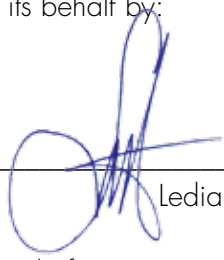
In ALL million	Note	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	8	161,765	105,490
Trading assets	12	14,240	16,183
Monetary gold	9	7,291	7,516
Accounts with the International Monetary Fund	10	41,733	43,683
Loans to banks	11	39,871	29,934
Available-for-sale investment securities	13	245,375	298,930
Property, equipment and intangible assets	14	20,226	20,604
Other assets	15	2,351	2,316
Total assets		532,852	524,656
LIABILITIES			
Currency in circulation	16	274,685	258,821
Trading liabilities	12	-	2
Due to banks	17	146,635	152,352
Deposits and borrowings from third parties	18	4,033	3,310
Due to Government and state institutions	19	35,295	19,892
Due to the International Monetary Fund	10	26,751	28,078
Other liabilities	20	484	1,263
Total liabilities		487,883	463,718
CAPITAL AND RESERVES			
Capital		2,500	2,500
Reserves	21	42,469	58,438
Total capital and reserves		44,969	60,938
Total liabilities, capital and reserves		532,852	524,656

The notes on pages 153 to 197 are an integral part of these financial statements.

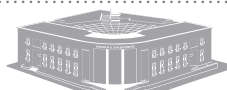
The financial statements were authorized for issuance by the Supervisory Council of the Bank of Albania and signed on 28 March 2018 on its behalf by:



 Gent Sejko
 Governor



 Ledia Bregu
 Head of Payment Systems and Accounting
 and Finance Department



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In ALL million	Note	2017	2016
Interest income	22	2,731	2,494
Interest expense	22	(806)	(737)
Net interest income		1,925	1,757
Fee and commission income		75	69
Fee and commission expense		(48)	(56)
Net income from fees and commissions		27	13
Net trading income	23	767	1,036
Other revenues	24	568	480
Net (loss)/gain from changes in the fair value of monetary gold	9	(225)	754
Net foreign exchange losses	21	(15,022)	(1,720)
Total revenue		(11,960)	2,320
Employee benefit expenses	25	(1,306)	(1,238)
Depreciation and amortization	14	(455)	(488)
Other general and administrative expenses		(611)	(652)
Net loss		(14,332)	(58)
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets)	21	(736)	(464)
Other comprehensive loss for the year, net of tax		(736)	(464)
Total comprehensive loss for the year		(15,068)	(522)

The notes on pages 153 to 197 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

In ALL million	Capital	Legal reserve	Revaluation reserve	Fair value reserve	Other reserves	Transition reserve	Retained earnings	Total
Balance at 1 January 2016	2,500	12,500	24,206	995	16,548	5,539	-	62,288
Total comprehensive income	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(58)	(58)
Other comprehensive income	-	-	-	-	-	-	-	-
Fair value reserve (available-for-sale financial assets)	-	-	-	(464)	-	-	-	(464)
Other comprehensive income, net of tax	-	-	-	(464)	-	-	-	(464)
Total comprehensive income	-	-	-	(464)	-	-	(58)	(522)
Contributions and distributions	-	-	-	-	-	-	-	-
Distribution of profit to Government of Albania	-	-	-	-	-	-	(908)	(908)
Total contributions and distributions	-	-	-	-	-	-	(908)	(908)
Transfers to reserves	-	-	(966)	-	-	80	966	80
Balance at 31 December 2016	2,500	12,500	23,240	531	16,548	5,619	-	60,938
Total comprehensive income	-	-	-	-	-	-	(14,332)	(14,332)
Net loss	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Fair value reserve (available-for-sale financial assets)	-	-	-	(736)	-	-	-	(736)
Other comprehensive income, net of tax	-	-	-	(736)	-	-	-	(736)
Total comprehensive income	-	-	-	(736)	-	-	(14,332)	(15,068)
Contributions and distributions	-	-	-	-	-	-	-	-
Distribution of profit to Government of Albania	-	-	-	-	-	-	(887)	(887)
Distribution of other reserves to Government	-	-	-	-	(14)	-	-	(14)
Total contributions and distributions	-	-	-	-	(14)	-	(887)	(901)
Reallocation of transition reserve and other reserves	-	-	-	-	5,619	(5,619)	-	-
Transfers to reserves	-	-	(15,247)	-	28	-	15,219	-
Balance at 31 December 2017	2,500	12,500	7,993	(205)	22,181	-	-	44,969

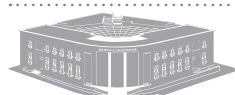
The notes on pages 153 to 197 are an integral part of these financial statements.



STATEMENT OF CASH FLOWS

In ALL million	Note	2017	2016
Cash flows from operating activities			
Net loss		(14,332)	(58)
Adjustments for:			
Depreciation and amortization	14	455	488
Net interest income	22	(1,925)	(1,757)
Net trading income	23	(767)	(1,036)
Profit from sale of available-for-sale investment securities	24	(533)	(470)
Net loss/(gain) from changes in the fair value of monetary gold	9	225	(754)
Provisions	20	25	83
		(16,852)	(3,504)
Changes in:			
Held-for-trading assets		2,708	709
Accounts with the International Monetary Fund		1,950	(9,280)
Loans to banks		(9,937)	(16,947)
Other assets		(35)	(57)
Currency in circulation		15,864	19,630
Due to banks		(5,717)	9,385
Deposits and borrowings from third parties		723	(51)
Due to Government and state institutions		15,411	(7,372)
Due to the International Monetary Fund		(1,327)	9,367
Other liabilities		(805)	613
		1,983	2,493
Interest received		3,287	2,650
Interest paid		(770)	(737)
Net cash generated from operating activities		4,500	4,406
Cash flows from investing activities			
Acquisition of investment securities		(267,399)	(274,117)
Proceeds from sold and matured investment securities		320,158	282,983
Acquisition of property, equipment and intangible assets		(76)	(164)
Net cash generated from investing activities		52,683	8,702
Cash flows from financing activities			
Distributions to Government	19	(908)	(1,095)
Net cash used in financing activities		(908)	(1,095)
Increase in cash and cash equivalents		56,275	12,013
Cash and cash equivalents at the beginning of the year		105,490	93,477
Cash and cash equivalents at the end of the year	8	161,765	105,490

The notes on pages 153 to 197 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in ALL million, unless otherwise stated)

1. GENERAL

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

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

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

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

2. BASIS OF ACCOUNTING

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

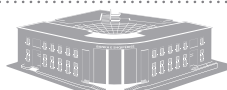
3. BASIS OF MEASUREMENT

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

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

4. FUNCTIONAL AND PRESENTATION CURRENCY

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



5. USE OF ESTIMATES AND JUDGMENTS

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

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

(a) Judgments

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

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

(b) Assumptions and estimation uncertainties

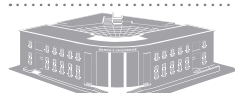
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is set out below in relation to the impairment of financial instruments and determination of the fair value of financial instruments.

(i) Impairment of financial instruments

Assets accounted for at amortized cost and available-for-sale assets are evaluated for impairment on a basis described in the accounting policy 6.a.(vii). The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

(ii) Determining fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.



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

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

Measurement of fair values

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

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

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

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

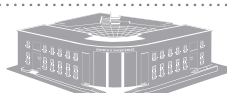
6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases



and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

Financial assets

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

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

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

Financial liabilities

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

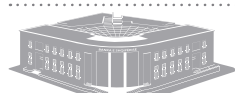
(iii) Derecognition

Financial assets

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

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

Financial liabilities



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

(iv) Offsetting

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

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

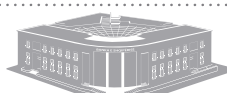
(v) Amortised cost measurement

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

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is 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 demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(vii) Identification and measurement of impairment

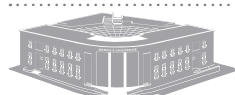
At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the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

Objective evidence that financial assets are impaired includes:

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

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

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and



amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through the OCI.

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

(viii) Securities lending agreements

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

(b) Currency in circulation

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

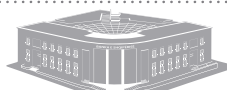
(c) Cash and cash equivalent

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

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

(d) Trading assets and liabilities

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



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

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

(e) Available-for-sale investment securities

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

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

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

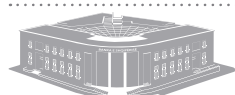
Other fair value changes, other than impairment losses (see a. (vii)), are recognized in OCI and presented in the revaluation (fair value) reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(f) Loans and receivables

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

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

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



(g) Monetary gold

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

(h) Deposits and borrowings

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

(i) Printing and minting costs

Freshly printed banknotes and minted coins, which have not yet been put into circulation, are recognized as assets at acquisition cost. The costs of printing banknotes and minting coins are deferred and amortized over 5 years and 10 years, from the date of recognition, respectively.

(j) Intangible assets

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

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

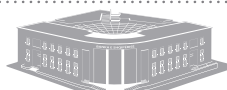
Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of a software product is two years. Work in progress is not amortized.

(k) Property and equipment

(i) Recognition and measurement

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



(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

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

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

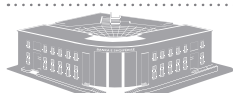
(I) Interest

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

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.



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

(m) Fees and commissions

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

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

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

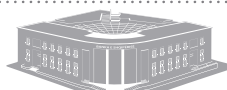
(n) Transactions in foreign currency

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

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

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

According to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania' and the Decision No. 104 dated 27 December 2006 of the Supervisory Council, the net gains/(losses) from foreign exchange that are initially recognised in profit or loss in the period in which they arise, are then transferred from retained earnings 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 and losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

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

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

(q) Taxation and profit distribution policy of the Bank

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

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

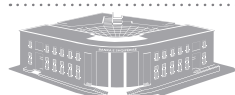
According to Article 11 of the Law 'On the Bank of Albania', no transfer, redemption or payment under Articles 8, 9 or 10 of this Law shall be made if the assets of the Bank are less than the sum of its liabilities and paid-up capital. If such conditions arise, based on Article 7 of the Law 'On the Bank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

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Defined contribution plans include voluntary and compulsory contribution plans.

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



(ii) Termination benefits

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

(iii) Short-term benefits

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

(s) Operating leases

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

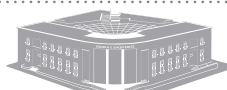
(t) Impairment of non-financial assets

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

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

The recoverable amount of an asset is the highest of its value in use and its fair value less costs to sell. In assessing 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.

(u) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(v) New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. The Bank plans to adopt these pronouncements when they become effective.

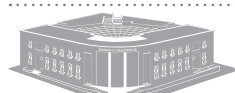
IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Bank will apply IFRS 9 for the annual period beginning on 1 January 2018. Based on assessments undertaken to date, the total estimated adjustment of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2018 is not expected to be material.

The assessment undertaken to date covers both the classification and measurement and an estimation of the impairment (expected credit losses) that should be recognized under the new standard and it is preliminary, because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Bank to revise its accounting processes and internal controls and these changes are not yet complete;
- the Bank is refining and finalising its models for expected credit loss ("ECL") calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Bank finalises its first financial statements that include the date of initial application.



(i) Classification and measurement – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The Standard includes three principal classification categories for financial assets: measured at amortised cost, measured at fair value through OCI (FVOCI) and measured at fair value through profit or loss (FVTPL). The Standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

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

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

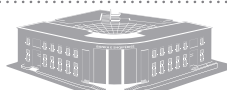
A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if so doing eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows:

- Debt investment securities classified as available-for-sale and measured at FVOCI under IAS 39 will, in general, be also measured at FVOCI under IFRS 9. The Bank has assessed that these assets are held within business models, whose objective is achieved by both collecting contractual cash flows and selling financial assets and the cash flows relating to the assets comprise solely payments of principal and interest (SPPI).



- Debt investment securities classified as held-for-trading and measured at FVTPL under IAS 39 will continue to be measured at FVPL under IFRS 9. The Bank has assessed that these assets are held within a business model, whose objective is achieved by security trading.
- For cash and cash equivalents comprising current accounts and short-term deposits with banks, measured at amortised cost under IAS 39, the Bank is still in the process of finalizing the assessment as to the most appropriate classification and measurement of these financial assets under IFRS 9.
- Loans to commercial banks and to employees, classified as loans and receivables and measured at amortized cost under IAS 39, will, in general, also be measured at amortized cost under IFRS 9.
- For financial assets included in accounts with IMF, classified as loans and receivable and measured at amortised cost under IAS 39, the Bank is still in the process of finalizing the assessment as to the most appropriate classification and measurement of these assets under IFRS 9.

(ii) Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

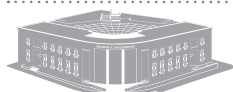
The new impairment model will apply to financial assets not measured at FVTPL. Under IFRS 9, no impairment loss is recognised on equity investments. The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

The Bank has drafted the general criteria for defining default and significant increase in credit risk and further refining is necessary to adapt staging criteria to each portfolio of assets.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are those that result from default events that are possible within the 12 months after the reporting date.

The Bank will recognise loss allowances at an amount equal to 12-month ECLs in the following cases:



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

In other cases, the Bank will recognize loss allowances at an amount equal to lifetime ECLs.

The key inputs into the measurement of ECLs are likely to be the following parameters:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD).

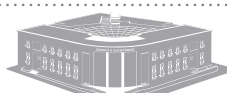
These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for sovereign and non-sovereign counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will 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 EAD of a financial asset will be the gross carrying amount at default.

For portfolios in respect of which the Bank has limited historical data, external benchmark information will be used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECLs include international reserves and government securities.



The main impact on the Bank's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Although the Bank has not yet completed its final assessment, the assessment of the Bank to date is that, on the adoption of IFRS 9 at 1 January 2018, the impact of the new impairment requirements is not expected to be material.

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

(iii) Transition

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

If a debt investment security has low credit risk at 1 January 2018, then the Bank will determine that the credit risk on the asset has not increased significantly since initial recognition.

IFRS 16 Leases

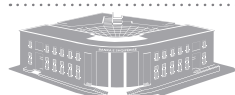
IFRS 16 replaces existing leases guidance and introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The Standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The Bank does not expect that the new standard, when initially applied, will have a material impact on its financial statements. The current lease arrangements of the Bank expire on 31 December 2018. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on the composition of the Bank's lease portfolio at that date, the Bank's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Bank chooses to use practical expedients and recognition exemptions. A more detailed assessment will be made in the following period.

Other standards and interpretations

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

- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS: 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28



- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Transfers of Investment Property (Amendments to IAS 40)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

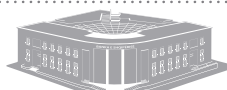
7. FINANCIAL INSTRUMENTS: RISK MANAGEMENT AND FAIR VALUES

(a) Risk management framework

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

Pursuant to the legal requirements, the Bank holds and manages the foreign reserves of the Republic of Albania. The Supervisory Council has the overall responsibility for the establishment of the risk management framework and reserve management policies. The Supervisory Council has approved the regulation 'On the functions of the management structure in the decision-making process of the management of the reserves'. This regulation defines the responsibilities of the management, the Supervisory Council, the 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 financial risk management. The Investment Committee approves the quantitative criteria based on the limits set forth by the Supervisory Council and monitors the compliance with the restrictions for permitted level of risk and foreign reserve investment portfolio performance.

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

(b) Liquidity risk

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

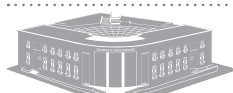
- implementing the monetary policy and the exchange rate policy of the Bank; and
- maintaining financial stability and meeting the needs of the country in periods of crisis.

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

The foreign currency liability tranche represents investments in assets that are financed by the liabilities in foreign currency, which are mainly composed by the funds deposited by commercial banks as part of the reserve requirement and by the government.

The net reserve is composed of:

1. the working capital tranche: designed to meet the monthly liquidity needs arising within one month;
2. the liquidity tranche: designed to meet the liquidity needs arising within one year;
3. the investment tranche: it represents the remaining balance as surplus and



is designed to meet the liquidity needs arising beyond the timeframes described in the first two tranches.

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

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

31 December 2017 (In ALL million)	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 cash equivalents	159,375	2,390	-	-	-	-	-	161,765
Trading assets	112	557	914	2,630	9,950	-	-	14,163
Account with the IMF	18,437	-	-	-	-	-	23,296	41,733
Loans to banks	30,519	9,352	-	-	-	-	-	39,871
Available-for-sale investment securities	16,777	30,039	47,465	51,636	96,515	2,943	-	245,375
Other assets (note 15)	-	-	-	-	-	1,712	-	1,712
	225,220	42,338	48,379	54,266	106,465	4,655	23,296	504,619
Derivative assets								
Foreign exchange forwards		77						77
Total financial assets	225,220	42,415	48,379	54,266	106,465	4,655	23,296	504,696
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	274,685	274,685
Due to banks	146,635	-	-	-	-	-	-	146,635
Deposits and borrowings from third parties	4,033	-	-	-	-	-	-	4,033
Due to Government and state institutions	33,894	-	901	-	-	-	500	35,295
Due to the IMF	19,260	35	19	70	35	-	7,332	26,751
Other liabilities	56	-	-	-	-	-	-	56
Total financial liabilities	203,878	35	920	70	35	-	282,517	487,455
Asset-liability maturity mismatch as at 31 December 2017	21,342	42,380	47,459	54,196	106,430	4,655	(259,221)	17,241



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

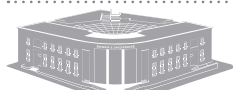
(c) Credit risk

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

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

(i) Settlement risk

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



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

(ii) Custody risk

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

(iii) Management of credit risk

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

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

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

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at 31 December 2017 and 2016:



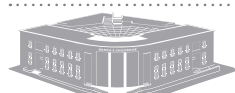
Assets	2017	2016
(In ALL million)		
Accounts and deposits with financial institutions (note 8)	161,747	105,466
Accounts with the IMF (see below)	11,105	11,719
Loans to banks	39,871	29,934
Trading assets	14,240	16,183
Available-for-sale investment securities	245,375	298,930
Other assets (note 15)	1,712	1,718
Total	474,050	463,950

An amount of ALL 7,332 million (2016: ALL 7,978 million), which is included in the SDR Holdings with the IMF (see Note 10) does not represent credit risk for the Bank, since it represents the counter-account of the amounts acquired through the SDR allocations. Only the amount of holdings above allocations of ALL 11,105 million (2016: ALL 11,719 million) is included in the assets, which represent credit risk.

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

31 December 2017 (In ALL million)	Germany	France	Other EU countries	Switzer- land	United States of America	Republic of Albania	Other	Total
Accounts and deposits with finan- cial institutions (Note 8)	5,632	122,246	6,372	8,657	10,106	3	8,731	161,747
Trading assets	3,307	967	2,441	-	7,227	77	221	14,240
Accounts with the IMF	-	-	-	-	-	-	11,105	11,105
Loans to banks	-	-	-	-	-	39,871	-	39,871
Available-for-sale investment securities	13,271	25,516	91,351	269	53,009	52,719	9,240	245,375
Other assets (Note 15)	-	-	-	-	-	-	1,712	1,712
Total	22,210	148,729	100,164	8,926	70,342	92,670	31,009	474,050

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



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

31 December 2017 (In ALL million)	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Available-for-sale investments securities	Other assets	Total
Central Bank	146,869	-	11,105	-	-	-	157,974
Bank for International Settlements ("BIS Basel")	7,330	-	-	-	269	-	7,599
Foreign governments and multilateral institutions	111	8,125	-	-	150,552	-	158,788
Foreign agencies	-	6,038	-	-	25,303	-	31,341
Commercial Banks	7,437	-	-	39,871	16,532	-	63,840
Albanian Government	-	77	-	-	52,719	-	52,796
Other	-	-	-	-	-	1,712	1,712
Total	161,747	14,240	11,105	39,871	245,375	1,712	474,050

31 December 2016 (In ALL million)	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Available-for-sale investment securities	Other assets	Total
Central Bank	55,696	-	11,719	-	-	-	67,415
BIS Basel	32,841	-	-	-	4,833	-	37,674
Foreign governments and multilateral institutions	-	10,755	-	-	171,844	-	182,599
Foreign agencies	-	5,428	-	-	53,497	-	58,925
Commercial Banks	16,929	-	-	29,934	15,521	-	62,384
Albanian Government	-	-	-	-	53,235	-	53,235
Other	-	-	-	-	-	1,718	1,718
Total	105,466	16,183	11,719	29,934	298,930	1,718	463,950

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

Credit Risk 31 December 2017 (In ALL million)	Accounts and deposits with financial institutions	Investment securities	Special Drawing Rights (SDR)**	Loans to banks and other assets	Total
AAA	6,645	94,062	-	-	100,707
AA	141,548	81,012	-	-	222,560
A	5,907	17,793	-	-	23,700
BBB	314	13,683	-	-	13,997
B+*	3	52,796	-	-	52,799
BIS Basel	7,330	269	-	-	7,599
Unrated	-	-	11,105	41,583	52,688
Total	161,747	259,615	11,105	41,583	474,050



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

The credit ratings included above show the second best rating amongst Standard & Poor's, Moody's and Fitch.

*) The Albanian Government is rated as B+, stable, based on the credit rating of Standard & Poor's and Ba2, stable, based on the credit rating of Moody's.

**) The 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, Japanese yen, and pound sterling). The SDR currency value is calculated daily and the valuation basket is reviewed and adjusted every five years.

(d) Market risk

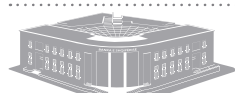
Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank of Albania's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The key elements of price risk affecting the Bank are:

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

The Bank's exposure to currency risk is monitored on a continual basis. Financial assets and liabilities denominated in foreign currencies are disclosed in the relevant notes of the financial statements.

For the purpose of foreign reserve management, function performed by the Monetary Operations Department, Supervisory Council has established a set of criteria for the currency composition of the foreign reserve, in accordance with the objectives of holding the reserves. This serves as a reference for the management of the exchange rate risk. As a result, the Bank is passive in the management of the exchange rate risk. The Investment Committee defines a set of narrow ranges of the currency composition of some of the tranches of the foreign exchange reserve. The limits are monitored by the Monetary Operations



Department, which carries out the necessary rebalancing operations in order to preserve the required weights of the currencies' composition.

i) Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations, which affect the prices of interest-earning assets (including investments) and interest-bearing liabilities.

The Monetary Operations Department of the Bank monitors the interest rate risk. The Bank mitigates such risks by maintaining a significant excess of interest-bearing assets over liabilities. The Bank maintains a portfolio of interest-bearing financial assets and liabilities such that the net interest income is significantly higher than operating needs, in order to minimize the potential adverse effects of interest rate fluctuations. Interest rates applicable to financial assets and liabilities are disclosed in the relevant notes to the financial statements.

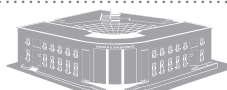
The interest rate risk management, for the purpose of foreign reserve management, in its core process includes the selection of the portfolio/duration benchmark for each market (currency) in which the foreign reserves are held. The benchmark selection is reviewed annually or whenever changes in market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

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

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

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

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



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

The following is a summary of the VaR (95%) position of the Bank's portfolios at 31 December 2017 and 2016:

(In ALL million)	31 December 2017	31 December 2016
VaR (95%) in Lek	(1,118)	(1,832)

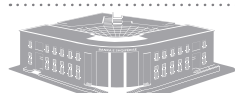
Furthermore, an important method to measure market risk is the sensitivity analysis of the value of the reserve to hypothetical changes in market factors. The data used in the sensitivity analysis calculations include the duration of portfolios and weight of each currency. The duration of the portfolio 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	2017		2016	
	100 bp	50 bp	100 bp	50 bp
Increase	(3,085)	(1,543)	(4,006)	(2,003)
Decrease	3,085	1,543	4,006	2,003

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

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

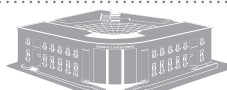


31 December 2017 (In ALL million)	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and cash equivalents	161,765	147,175	12,050	2,393	-	147
Trading assets	14,240	1,616	-	77	12,547	-
Accounts with the IMF	41,733	18,437	-	-	-	23,296
Loans to banks	39,871	-	30,519	9,352	-	-
Available-for-sale investment securities	245,375	557	16,777	30,039	198,002	-
Other assets (Note 1.5)	1,712	-	-	-	1,712	-
Total	504,696	167,785	59,346	41,861	212,261	23,443
Interest-bearing liabilities						
Currency in circulation	274,685	-	-	-	-	274,685
Due to banks	146,635	-	146,635	-	-	-
Deposits and borrowings from third parties	4,033	-	3,848	-	-	185
Due to Government and state institutions	35,295	500	-	-	-	34,795
Due to the IMF	26,751	7,447	-	-	-	19,304
Other liabilities	56	-	-	-	-	56
Total	487,455	7,947	150,483	-	-	329,025
Interest-bearing financial instruments gap	17,251	159,838	(91,137)	41,861	212,261	(305,572)

31 December 2016 (In ALL million)	Total	Floating rate instruments	Fixed rate instru			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and cash equivalents	105,490	77,659	15,943	10,667	370	851
Trading assets	16,183	1,234	-	-	14,949	-
Accounts with the IMF	43,683	19,697	-	-	-	23,986
Loans to banks	29,934	-	24,155	5,779	-	-
Available-for-sale investment securities	298,930	1,960	9,622	14,468	272,880	-
Other assets (Note 1.5)	1,718	-	-	-	1,718	-
Total	495,938	100,550	49,720	30,914	289,917	24,837
Interest-bearing liabilities						
Currency in circulation	258,821	-	-	-	-	258,821
Trading liabilities	2	-	-	-	-	2
Due to banks	152,352	-	142,358	-	-	9,994
Deposits and borrowings from third parties	3,310	-	3,119	-	-	191
Due to Government and state institutions	19,892	500	-	-	-	19,392
Due to the IMF	28,078	8,292	-	-	-	19,786
Other liabilities	78	-	-	-	-	78
Total	462,533	8,792	145,477	-	-	308,264
Interest-bearing financial instruments gap	33,405	91,758	(95,757)	30,914	289,917	(283,427)
Interest-earning assets						

Future contracts

A future contract is a standardized contract to buy or sell a financial or non-financial asset, at a certain date in the future and at a market determined price. To minimize the credit risk, depending on the type of instrument, the investor



should post a margin to the clearing house. This margin or performance bond is valued every day according to the prices in the market (mark to market), which means that every change in value is shown in the account of investor at the end of each trading day until the expiry day.

The net fair value of future contracts at 31 December 2017 is nil (2016: ALL 2 million) (see Note 12).

The nominal value of these contracts as at 31 December 2017 is composed by the following:

- buy contracts in the amount of ALL million 1,668 (2016: ALL 695 million); and
- sell contracts in the amount of ALL million 2,096 (2016: ALL 1,474 million).

ii) Exchange rate risk

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

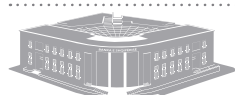
This risk can affect the size of its capital. In order to manage this type of exposure, over the years, action has been taken to increase capital, inflow funds and, in exceptional cases, when the value of the revaluation of the foreign currencies was negative, debt instruments of the Republic of Albania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

Forward contracts

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

The fair value of forward contracts at 31 December 2017 is ALL 77 million (2016: nil) (see Note 12).

The Bank's exposure to foreign currency risk as at 31 December 2017 and 31 December 2016 is as follows:



31 December 2017 (In ALL million)	ALL	USD	EUR	GBP	Other	Total
Assets						
Cash and cash equivalents	-	10,515	137,541	1,528	12,181	161,765
Trading assets	-	14,163	75	-	2	14,240
Accounts with the IMF	-	-	-	-	41,733	41,733
Loans to banks	39,871	-	-	-	-	39,871
Available-for-sale investment securities	52,718	63,218	114,821	8,708	5,910	245,375
Other assets	1,712	-	-	-	-	1,712
Total assets	94,301	87,896	252,437	10,236	59,826	504,696
Liabilities						
Currency in circulation	274,685	-	-	-	-	274,685
Due to banks	50,838	14,936	80,861	-	-	146,635
Deposits and borrowings from third parties	4,027	-	6	-	-	4,033
Due to Government and state institutions	22,390	250	11,894	-	761	35,295
Due to the IMF	-	-	-	-	26,751	26,751
Other liabilities	23	33	-	-	-	56
Total liabilities	351,963	15,219	92,761	-	27,512	487,455
Net currency position	(257,662)	72,677	159,676	10,236	32,314	17,241

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

(e) Fair value of financial instruments

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



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

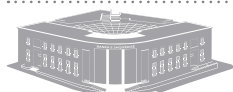
The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed securities, exchange traded derivatives like interest rate futures and simple over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation



and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Financial instruments measured at fair value – Fair value hierarchy

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

31 December 2017 (In ALL million)	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	12	14,163	-	-	14,163
Derivative trading assets	12	-	-	77	77
Investments in securities	13	180,008	65,367	-	245,375
Total		194,171	65,367	77	259,615

31 December 2016 (In ALL million)	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	12	16,183	-	-	16,183
Investments in securities	13	232,149	66,781	-	298,930
Total		248,332	66,781	-	315,113
Trading liabilities					
Derivative trading liabilities	12	2	-	-	2
Total		2	-	-	2

Financial instruments not measured at fair value

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

(In ALL million)		31 December 2017		31 December 2016	
	Note	Fair value Level 2 2017	Carrying amount 2017	Fair value Level 2 2016	Carrying amount 2016
Assets					
Cash and cash equivalents	8	161,765	161,765	105,490	105,490
Loans to banks	11	39,871	39,871	29,934	29,934
Special Drawing Rights ("SDR") held	10	41,733	41,733	43,683	43,683
Other financial assets	15	1,712	1,712	1,718	1,718
Liabilities					
Due to the IMF	10	26,751	26,751	28,078	28,078
Due to banks	17	146,635	146,635	152,352	152,352
Deposits and borrowings from third parties	18	4,033	4,033	3,310	3,310
Due to Government and state institutions	19	35,295	35,295	19,892	19,892



(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

Operational risk management is supported by the internal control systems on several activities of the Bank of Albania and standards for the management of operational risk and a wide range of common policies, staff management regulations and obligatory requirements.

8. CASH AND CASH EQUIVALENTS

(In ALL million)	31 December 2017	31 December 2016
Cash	18	24
Current accounts	147,306	78,493
Short-term deposits	14,441	26,973
Total	161,765	105,490

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

In %	EUR	USD	AUD	CNH
31 December 2017	(0.40)	1.46	N/A	3.26 – 3.95
31 December 2016	(0.45) – (0.35)	0.46	1.41 – 1.42	3.35 – 6.45

9. MONETARY GOLD

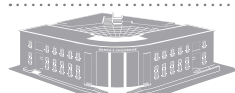
(In ALL million)	31 December 2017	31 December 2016
Monetary gold	7,291	7,516
Total	7,291	7,516

The monetary gold is placed in time deposits (2016: time deposits and current account) with foreign banks.

The decrease of ALL 225 million compared to the previous year (2016: increase of ALL 754 million compared to 2015) is a result of valuing the monetary gold at the market price at the reporting date, and is initially recognized in profit or loss, and subsequently transferred from retained earnings to the revaluation reserve (see Note 21).

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

Accounts with the IMF (In ALL million)	31 December 2017	31 December 2016
Quotas with IMF	23,296	23,986
Special Drawing Rights ("SDR") held	18,437	19,697
Total assets	41,733	43,683



Due to the IMF (In ALL million)	31 December 2017	31 December 2016
SDR allocations	7,332	7,978
IMF securities account	16,813	17,258
IMF account No. 1	2,481	2,524
IMF account No. 2	1	1
Poverty Reduction and Growth Facility ('PRGF')	115	314
Accrued interest	9	3
Total liabilities	26,751	28,078

Quotas with the IMF of ALL 23,296 million or SDR 139 million (2016: ALL 23,986 million or SDR 139 million) originate from the membership of the Republic of Albania in the IMF, according to the Law No.8269, dated 23 December 1997 'On the Bank of Albania'.

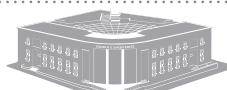
The SDR holdings of ALL 18,437 million or SDR 117 million (2016: ALL 19,697 million or SDR 115 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at 31 December 2017 is 0.743% p.a. (2016: 0.246% p.a.).

SDR Allocations of ALL 7,332 million or SDR 46 million (2016: ALL 7,978 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 2017 is 0.743% p.a. (2016: 0.246% p.a.).

The IMF accounts represent liabilities of the Bank towards Albania's participation in the IMF. The IMF accounts do not have a defined maturity. The IMF securities account includes certain borrowings that are part of the Extended Fund Facility (EFF) program originally disbursed during the period from 2006 to 2009. At 31 December 2017, EFF borrowings amount to ALL 96 million or SDR 0.6 million (2016: ALL 261 million or SDR 1.5 million). The facility will mature on 28 January 2019. The interest on these borrowings is floating and is paid on quarterly basis. The annual interest rate at 31 December 2017 is 1.747% p.a. (2016: 1.247% p.a.).

IMF pays remuneration to members with remunerated reserve tranche positions, at 0.738% p.a. (2016: 0.241% p.a.). The reserve tranche position is calculated as the difference between Quotas in the IMF and the currency holdings in the IMF accounts, excluding holdings acquired as a result of the use of the Fund credit and holdings in the IMF account No.2.

PRGF borrowings of ALL 115 million or SDR 0.7 million (2016: ALL 314 million or SDR 2 million) include PRGF No. 4 that was granted in 2006 and bears an interest rate of 0.5% p.a. This facility had a grace period of five and a half years and is payable in 10 semi-annual equal instalments. The facility will mature on 30 January 2019.



Direct budget support provided by the IMF

Direct budget support provided by the IMF to the Government of Albania, where the Government assumes the Fund liability, is not recognised as a liability of the Bank to the Fund, even though the funds are initially deposited in the Government accounts at the Bank. During the years 2014 - 2017, the IMF disbursed tranches with a total balance of ALL 50,041 million (2016: ALL 41,029 million), as part of the EFF facility program approved by the IMF in favour of Albania. These tranches are used to provide direct budget financing to the Government of Albania represented by the Ministry of Finance. The borrowing is repayable within 3 years, by the Albanian Government through the accounts of the Bank with the IMF. The Albanian Government will repay all principal, interest and any other expense associated with the above tranches, and those expected to be disbursed in the future. In relation to this borrowing, the Ministry of Finance issued promissory notes in favour of the IMF.

11. LOANS TO BANKS

(In ALL million)	31 December 2017	31 December 2016
Reverse repurchase agreements	39,461	29,934
Overnight loans to banks	410	-
Total	39,871	29,934

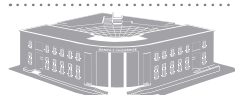
At 31 December 2017, reverse repurchase agreements between the Bank and commercial banks have original maturities from one week to three months (2016: from one week to three months).

12. TRADING ASSETS

Trading assets (In ALL million)	31 December 2017	31 December 2016
Non-derivatives:		
Bonds of foreign agencies	6,038	5,428
Bonds of foreign governments and multilateral institutions	8,125	10,755
Derivatives:		
Foreign exchange forwards	77	-
Total	14,240	16,183

Trading assets are administered by the International Bank for Reconstruction and Development ('IBRD') as stated in the agreement 'On the administration and technical assistance on investing the foreign reserve of Bank of Albania (Reserves and Advisory Management Program) signed between Bank of Albania and IBRD on 23 September 2005. Investments in this portfolio are denominated in USD.

Trading liabilities (In ALL million)	31 December 2017	31 December 2016
Derivatives: Interest rate futures	-	2
Total	-	2



The annual interest rates for non-derivative assets at 31 December 2017 and 2016 are as follows:

In %	31 December 2017	31 December 2016
USD	0.750 - 2.375	0.625 - 2.875

13. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities by type of issuer and security are presented as follows:

(In ALL million)	31 December 2017	31 December 2016
Treasury Bills of foreign governments and multi-lateral institutions	5,813	3,389
Bonds of banks and other institutions	16,532	15,521
Bonds of foreign agencies	25,303	53,497
Bonds of foreign governments and multilateral institutions	145,008	173,288
Treasury Bills of the Albanian Government	52,719	53,235
Total	245,375	298,930

The classification of certain comparative figures by type of issuer has been refined to conform with the current year presentation. As a result, an amount of ALL 23,989 million, previously classified as agencies and corporate securities, is included in the comparative amount presented as Bonds of foreign governments and multilateral institutions.

The annual yields for each currency at 31 December 2017 and 2016 are as follows:

In %	ALL	USD	GBP	AUD	EUR
31 December 2017	1.25-2.68	1.33-2.64	0.34 - 0.76	1.88 - 2.14	(0.85)-1.82
31 December 2016	1.23-3.17	0.50-3.65	0.00-0.48	1.73-2.04	(0.80)-1.73

Available for sale investments in ALL at 31 December 2017, represent Albanian Government treasury bills with a maturity period from 3 months to 12 months (2016: from 3 months to 12 months).

As a result of further relaxing monetary policies of certain central banks during 2015 and onward, the return rates of the main part of foreign reserve portfolio in EUR, are negative.



14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(In ALL million)	land, buildings and installations	Furniture and equipment	Vehicles	Work in progress	Numismatic coins and objects	Total property and equipment	Computer software	Work in progress	Total intangible assets	Total
Amortized costs										
At 1 January 2016	9,397	2,636	280	169	10,452	22,934	568	-	568	23,502
Additions	1	58	46	38	80	223	14	7	21	244
Transfers	1	2	-	(3)	-	-	1	(1)	-	-
Disposal	(15)	(78)	(33)	-	-	(126)	(1)	-	(1)	(127)
Adjustments	22	-	-	-	-	22	-	-	-	22
At 31 December 2016	9,406	2,618	293	204	10,532	23,053	582	6	588	23,641
Additions	-	65	-	-	-	65	10	1	11	76
Transfers	-	-	-	-	-	-	7	(7)	-	-
Disposal	-	(151)	(13)	-	-	(164)	-	-	-	(164)
Reclassification	-	3	1	-	-	4	(4)	-	(4)	-
At 31 December 2017	9,406	2,535	281	204	10,532	22,958	595	-	595	23,553
Depreciation/amortization and impairment losses										
At 1 January 2016	140	1,781	203	-	-	2,124	523	-	523	2,647
Amortization	145	308	20	-	-	473	15	-	15	488
Disposal	(15)	(71)	(33)	-	-	(119)	(1)	-	(1)	(120)
Adjustments	22	-	-	-	-	22	-	-	-	22
At 31 December 2016	292	2,018	190	-	-	2,500	537	-	537	3,037
Amortization	145	268	21	-	-	434	21	-	21	455
Disposal	-	(147)	(14)	-	-	(161)	(4)	-	(4)	(165)
At 31 December 2017	437	2,139	197	-	-	2,773	554	-	554	3,327
Net carrying value										
At 31 December 2016	9,114	600	103	204	10,532	20,553	45	6	51	20,604
At 31 December 2017	8,969	396	84	204	10,532	20,185	41	-	41	20,226



15. OTHER ASSETS

(In ALL million)	31 December 2017	31 December 2016
Loans to employees	1,712	1,718
Numismatics (banknotes and coins)	302	304
Printing and minting costs	291	228
Inventory	21	26
Other	25	40
Total	2,351	2,316

Loans to employees at 31 December 2017 are net of allowance for impairment of ALL 8 million (2016: ALL 8 million).

16. CURRENCY IN CIRCULATION

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

The following banknotes and coins were in circulation as at 31 December 2017 and 2016:

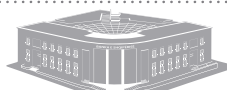
(In ALL million)	31 December 2017		31 December 2016	
Nominal value ALL	Number in thousand	Total ALL (million)	Number in thousand	Total ALL (million)
Notes:				
100	3,402	340	3,404	340
200	11,333	2,267	11,399	2,280
500	17,921	8,961	19,343	9,671
1,000	39,006	39,006	39,658	39,658
2,000	31,203	62,405	28,075	56,149
5,000	31,454	157,269	29,325	146,625
Coins		4,437		4,098
		274,685		258,821

17. DUE TO BANKS

(In ALL million)	31 December 2017	31 December 2016
Compulsory reserve and current accounts	146,635	135,602
Compulsory reserve – cash in custody	-	9,990
Overnight deposits	-	6,760
Total	146,635	152,352

Based on the Decision of the Supervisory Council, No. 39, dated 25 June 2014, amended by the Decision No. 76, dated 06 July 2016, the compulsory reserve in euro is negatively remunerated at 0.4%, which is the deposit rate defined by ECB (2016: negative 0.4%), whilst the compulsory reserve in USD is not remunerated. The compulsory reserve in ALL is remunerated at 0.875% (2016: 0.875%).

Based on the Decision of the Supervisory Council, No. 29, dated 16 May 2012, 'On the minimum compulsory reserve held at the Bank of Albania by commercial banks', amended by the Decision No. 75, dated 06 July 2016,



the Bank allows the commercial banks to maintain the compulsory reserve in the form of cash in custody with the Bank.

18. DEPOSITS AND BORROWINGS FROM THIRD PARTIES

(In ALL million)	31 December 2017	31 December 2016
Deposits from individuals for participation in Treasury Bills auctions	80	122
Deposits from the pension fund	97	47
Deposits from the Deposit Insurance Agency	3,856	3,141
Total	4,033	3,310

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

19. DUE TO GOVERNMENT AND STATE INSTITUTIONS

(In ALL million)	31 December 2017	31 December 2016
Profit to be distributed to the Government	901	908
Deposits from the Government	29,821	17,975
Due to state institutions	4,573	1,009
Total	35,295	19,892

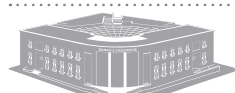
Based on the agreement between the Bank and the Ministry of Finance, the Bank of Albania pays interest only for the cases of time deposits by the Albanian Government, as well as a guarantee deposit of ALL 500 million (2016: ALL 500 million) for which the interest rate is based on the decisions of the Supervisory Council. The remuneration rate on 31 December 2017 is 1.25% (2016: 1.25%).

Profit to be distributed to the Government at 31 December 2017, of ALL 901 million represents the portion of reserves and of the profit for the year 2017, that is payable to the Government in the subsequent year. Profit to be distributed to the Government at 31 December 2016, of ALL 908 million was distributed in 2017.

20. OTHER LIABILITIES

(In ALL million)	31 December 2017	31 December 2016
Due to international financial institutions	168	871
Accrued expenses	166	253
Provisions for claims and litigations	150	139
Total	484	1,263

Balances due to international financial institutions include amounts payable to IBRD of ALL 111 million (2016: ALL 793 million) for the purchase of securities that are managed by the IBRD, and other amounts payable to IBRD, International Development Agency ('IDA'), Multilateral Investment Guarantee



Agency ('MIGA'), and Islamic Development Bank ('IDB') totalling ALL 57 million (2015: ALL 78 million).

For the years ended 31 December 2017 and 31 December 2016, the movements in provisions for claims and litigations are presented below:

(In ALL million)	2017	2016
Balance at 1 January	139	65
Provisions made during the year	25	83
Provisions used during the year	(5)	-
Provisions reversed during the year	(9)	(9)
Balance at 31 December	150	139

21. RESERVES

(In ALL million)	31 December 2017	31 December 2016
Legal reserve	12,500	12,500
Revaluation reserve	7,993	23,240
Fair value reserve (available-for-sale assets)	(205)	531
Other reserves	22,181	16,548
Transition reserve	-	5,619
Total	42,469	58,438

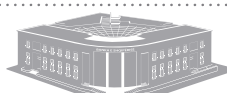
The legal reserve is created based on the requirements of Article 9 of the Law 'On the Bank of Albania', according to which, the Bank sets aside 25% of the net profit for the year into a Legal Reserve until the reserve amounts to 500% of the capital. The Bank has complied with this requirement as at 31 December 2011 with its legal reserve amounting to ALL 12,500 million.

The revaluation reserve results from the net gain/(loss) from changes in the fair value of the monetary gold (Note 9) and net foreign exchange gains/(losses), which are initially recognized in profit or loss and then transferred to revaluation reserves. The decrease of ALL 15,247 million in Revaluation Reserve is a result of the depreciation of foreign currencies, and in particular of USD and EUR versus ALL. The transition reserve was created as a result of the first-time adoption of IFRSs. The transition date was 1 January 2014. During 2017, this reserve was reallocated (see below).

Other reserves include the following:

(In ALL million)	31 December 2017	31 December 2016
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	7,902	-
Reserve for the estimated effect from financial instruments	28	-
Other	-	2,297
Total	22,181	16,548

The reserve for the Balance of Payments represents financial assistance provided by the European Community during the years 1992 and 1993. There have been no movements in such reserve since 1995.



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

The reserve for the estimated effect from financial instruments is created based on the Decision of the Supervisory Council of Bank of Albania No. 20, dated 15 March 2018. This reserve will be used to cover the estimated effect of expected credit losses upon adoption of the IFRS 9 (see accounting policy 6.(v)).

Other reserves of ALL 2,297 million at 31 December 2016 were created from the allocation of profits based on Supervisory Council decisions taken in previous years.

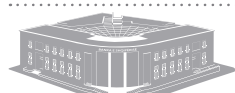
The reserve for property and equipment of ALL 7,902 was created based on the Decisions of the Supervisory Council of the Bank of Albania No. 19 and No. 20, dated 15 March 2018, as a result of the reallocation of the transition reserve of ALL 5,619 million and other reserves of ALL 2,297 million, less net distributions to the Government of ALL 14 million, presented as follows:

(In ALL million)	2017
Certain negative differences, part of the transition reserve	(2,335)
Remaining reallocations from the transition reserve	7,954
Net reallocation of the transition reserve	5,619
Total reallocation of other reserves	2,297
Distributions to the Government	(14)
Balance at 31 December 2017	7,902

From the total reserve for property and equipment, an amount of ALL 2,453 million is distributable in the future and such distributions are subject to decisions of the Supervisory Council of the Bank of Albania. The remaining part of the reserve for property and equipment is not distributable.

22. NET INTEREST INCOME

(In ALL million)	2017	2016
Interest income		
Available-for-sale investment securities	1,702	1,957
Loans to banks	444	300
Deposits with banks	161	52
Accounts with IMF	130	21
Other	294	164
Total interest income	2,731	2,494
Interest expense		
Compulsory reserves	316	380
Loan from the Republic of Greece	-	9
Due to the International Monetary Fund	42	10
Due to the Albanian Government	10	62
Deposits from third parties	46	19
Negative interest from deposits with financial institutions	392	257
Total interest expense	806	737
Net interest income	1,925	1,757



Negative interest from deposits with financial institutions of ALL 392 million (2016: ALL 257 million) represents charges arising from negative yielding deposits and accounts placed with foreign financial institutions.

Interest income from available-for-sale securities include income received from treasury bills issued by the Albanian Government with a total value of ALL 1,091 million (2016: ALL 1,012 million). Income from security lending and available-for-sale foreign reserve securities, after accounting for the amortization of premium/discount is ALL 611 million (2016: ALL 945 million).

23. NET TRADING INCOME

(In ALL million)	2017	2016
Interest income from trading assets	200	176
Net loss from the sale of trading assets	(37)	(2)
Unrealized fair value changes	(36)	3
Net profit from forward and future contracts	640	859
Total	767	1,036

24. OTHER REVENUE

(In ALL million)	2017	2016
Net profit from sale of available-for-sale investments	533	470
Other	35	10
Total	568	480

25. EMPLOYEE BENEFIT EXPENSES

(In ALL million)	2017	2016
Employee salaries and compensations	1,094	1,040
Contributions for health and social security	98	91
Contribution for pension fund (see Note 18)	114	107
Total	1,306	1,238

As at 31 December 2017, the Bank had 496 employees (2016: 509 employees).

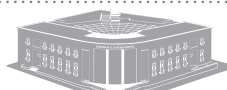
26. CONTINGENCIES AND COMMITMENTS

(i) Reverse repurchase agreements

Reverse repurchase agreements, as at 31 December 2017, represented collateralized loans (see Note 11). The nominal value of the securities used as collateral as at 31 December 2017, was ALL 42,200 million (2016: ALL 31,860 million).

(ii) Rent agreements

The Bank has entered into rent agreements for its premises. Rent agreements in force expire on 31 December 2018. Rent commitments payable within one



year are ALL 34 million (2016: 36 million), whilst there are no rent commitments payable between one and five years (2016: ALL 34 million) and after five years.

(iii) Capital commitments

As at 31 December 2017, the Bank has entered into capital commitments of ALL 2,148 million (2016: nil) 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 15) at 31 December 2017, is ALL 2,372 million (2016: ALL 2,414 million). At 31 December 2017, unused credit commitments for employees amount to ALL 77 million (2016: ALL 171 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 20).

27. MANAGED ASSETS

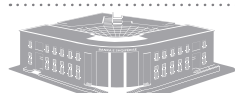
At 31 December 2017, the Bank acts as custodian for short-term treasury bills with maturities from 3 to 12 months, with total nominal value of ALL 199 billion (2016: ALL 213 billion) and for long-term securities with maturities varying between 2 and 10 years, with nominal value of ALL 337 billion (2016: ALL 311 billion) and EUR 114 million (2016: EUR 78 million). These securities are issued by the Albanian Government.

28. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and other decisions.

Considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

The related parties of Bank of Albania include the directors and members of the Supervisory Council. As at 31 December 2017 and 2016, balances with related parties comprised:



(In ALL million)	2017	2016
Loans to directors		
Directors	126	91
Total	126	91

Loans to directors have an interest rate of 0.5% p.a. and a grace period of two years, and are repayable within maximum of 30 years in equal monthly instalments. The mortgage loans are collateralized.

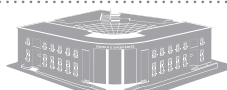
The increase of ALL 35 million (2016: ALL 35 million) of management staff loans in 2017 represents new granted loans of ALL 33 million (2016: ALL 35 million), the normal loan repayments of 5 million ALL (2016: repayment of ALL 3 million) and reclassification of loan level, according to changes in the hierarchy structure of management staff during 2017, increase of ALL 7 million (2016: increase of ALL 3 million as a result of changes in the hierarchy structure of the management staff).

(In ALL million)	2017	2016
Administrative expenses		
Directors and Supervisory Council members:		
Telephone expenses	4	4
Salaries and bonuses	136	125
Per diems	6	6
Directors:		
Fuel compensation	3	3
Contribution to pension plan scheme	13	12
Total of administrative expenses for related parties	162	150

Balances with/(due to) the Albanian Government and state institutions are disclosed in Notes 13 and 19, and related interest income from securities and interest expenses are included in Note 22. Promissory notes issued by the Albanian Government in favour of the IMF are detailed in Note 10, whilst securities issued by the Albanian Government and managed by the Bank are detailed in Note 27.

29. SUBSEQUENT EVENTS

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





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

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

	Agregatët monetarë / Monetary aggregates			Depozitat ² / Deposits ²	Kredita ³ / Credit ³	Normat e interesit 12m / 12m interest rates (%)			Norma e marrëveshjes së riblejejes njëvjeçare ⁵ / Weekly repurchase agreement rate ⁵	
						Depozita ⁴ / Deposits ⁴				Bono Thesori ⁵ / T. Bills ⁵
	M1	M2	M3							
	1	2	3	4	5	6	7	8	9	
2014	353.3	722.4	1,195.1	977.4	560.0	1.92	7.66	3.33	2.25	
2015 ¹	384.1	723.0	1,216.2	985.6	546.8	1.35	7.77	2.40	1.75	
2016	435.4	736.9	1,263.5	1,014.0	547.2	0.80	5.89	2.92	1.25	
2017	461.6	738.9	1,266.9	1,001.8	550.3	0.75	5.98	2.63	1.25	

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

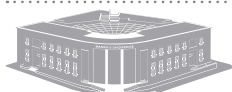
2. PRODHIMI I BRENDSHËM BRUTO, INDEKSET E ÇMIMEVE DHE TREGU I PUNËS

GROSS DOMESTIC PRODUCT, PRICE INDEXES AND LABOR MARKET 2.

	Me çmime korrente, në milionë lekë ⁷ / At current prices, in million ALL ⁷			Ndryshimet vjetore të indeksit të çmimit të konsumit (%) / Yearly changes in CPI (%)		Tregu i punës ⁸ / Labor market ⁸	
	Produkti Brendshëm Bruto (PBB) / Gross domestic product (GDP)	Pagat e të punësuarve neto / Compensation of employees, net	Të Ardhurat nga pronat, neto / Property income, net	Të Ardhurat Kombëtare Bruto / Gross National Income		Shkalla e punësimit / Employment rate (%)	
	1	2	3	4	5=2+3+4	6	7
2014	1.8	1,395,304.6	1,224.9	-17,930.9	1,378,598.7	0.7	50.5
2015	2.2	1,427,799.0	3,405.4	-17,189.6	1,414,014.8	2.0	52.9
2016						2.2	55.9
2017						1.8	

Burimi: INSTAT.

Source: INSTAT.



3. BILANCI I PAGESAVE⁹, REZERVA DHE KURSI I KËMBIMIT

Në milionë euro, përveç rasteve kur shënohet ndryshe

	Bilanci i llogaritës korrente / Current account	Nga të cilat: Bilanci tregtar / Of which: Trade balance (3-4)			Nga të cilat: Remi- tancat / Of which: Remittances		Investimet direkte neto / Direct investments, net	Rezervat valutorë (stock) / Reserves (stock)	Rezervat në muaj importe / Reserves in months of import	Kursi i këmbimit / Exchange rate		
		1	2	3		4				5	ALL / EUR	ALL / USD
				Elksporti / Export	Importi / Import							
2014	-1,076.3		-2,215.6	931.7	3,147.3	591.9	-811.5	2,191.7	5.6	140.0	105.5	
2015	-883.6		-2,298.9	771.1	3,070.1	597.1	-818.4	2,880.0	7.6	139.7	126.0	
2016	-811.7		-2,602.8	713.7	3,316.5	614.5	-936.5	2,945.0	7.2	137.4	124.1	
2017								2,995.9		134.2	119.1	

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 tatim- ore /Of which: Tax revenue		Shpenzime / Expen- diture		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	
	1	2	3	4	5	6	7	8	9							
2014	366.7	335.9	438.8	60.7	-72.1	42.2	29.9	564.7	412.4							
2015	379.2	342.3	437.4	63.1	-58.2	-6.4	64.6	551.4	490.9							
2016	407.0	369.9	433.7	59.5	-26.7	9.2	17.5	561.1	504.6							
2017	430.4	398.6	461.4	68.5	-31.0	1.9	29.1	577.1	510.3							

Burimi: Ministria e Financave dhe Ekonomisë, sipas publikimeve "Statistikat fiskale mujore, viti 2017" dhe Buletini statistikor i borxhit, 31 dhjetor 2017.

Publikimi "Statistika fiskale Janar - Dhjetor 2017" tabelat:

Treguesit fiskalë sipas buxheut të konsoliduar (Vjetor).

Shënime:

1) Përfshijë të dhënat për Dhjetor 2015 sipas ESA 2010.

2) Përfshijë vetëm llogaritë dhe depozitave që janë pjesë e parash së gjere.

3) Përfshijë kreditë për ekonominë.

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

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

6) Burimi: INSTAT faqja web dt. 05.03.2018: Temat / Ekonomi dhe Financat / Llogaritë Kombëtare Vjetore /

Prodhimi i brendshëm bruto sipas metodës së prodhimit, 2010-2015 (2015 Gjysëm final)

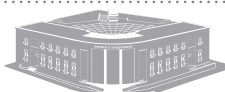
7) Burimi: INSTAT faqja web dt. 05.03.2018: Temat / Ekonomi dhe Financat / Llogaritë Kombëtare Vjetore /

Kalimi nga PBB në të ardhurat kombëtare bruto, 2010-2015 (2015 Gjysëm final)

8) Burimi: INSTAT faqja web dt. 05.03.2018: Temat / Tregu i Tregut dhe Asirimi / Punësimi dhe papunësia /

Shkalla e punësimit 2007 - 2016 (grupmosha 15-64 vjeç); Shkalla e papunësisë 2007 - 2016 (grupmosha 15-64 vjeç)

9) Janë rishikuar të dhënat për vitet 2013-2016.



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

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

Totali i imetjeve të pasurive (2+ 3+ 4+ 5+ 8+ 12+ 13+ 14)	Akti monetar e dhe mbajti e SDR* / Mon- etary gold and SDR holdings	Aksi në valutë / Foreign currency	Depozita* / Deposits*	Leirat me vlerë të ndryshme nga aksione / Secu- rities other than shares (6+7)		Jezidentë / Nonresidents	Qeveria Qendrore / Central Government	Huatë / Loans (9+ 10+ 11)	Qeveria Qendrore / Central Govern- ment	Korporata të tjera depozituese / Other depository corporations	Sektore të tjerë rezidentë / Other resident sectors	Derivatet financiare / Financial derivatives	Llogarit të arritshme / Receivable accounts	Mjetet jo financiare* / Nonfinancial assets*
				5	6									
2015/12	516,357.9	30,578.8	84.9	93,147.1	323,679.0	270,453.6	53,225.5	14,641.1	-	12,987.1	1,654.0	27.7	32,741.6	21,457.8
2016/12	524,730.8	27,211.8	52.0	104,622.9	315,112.7	261,877.5	53,235.2	31,660.3	-	29,934.4	1,725.9	15.8	25,094.1	20,961.2
2017/12	532,927.0	25,725.3	24.3	161,617.3	259,537.8	206,818.9	52,718.8	41,591.0	-	39,871.3	1,719.8	11.7	23,844.9	20,574.7
2017/07	492,061.4	29,514.2	26.5	112,932.1	271,228.0	217,457.9	53,770.1	33,826.5	-	32,108.9	1,717.7	13.8	23,807.9	20,712.6
08	500,139.3	28,302.0	61.7	118,749.7	266,623.0	212,450.8	54,172.3	41,170.8	-	39,452.1	1,718.7	17.5	24,538.9	20,675.7
09	510,160.6	28,365.1	25.6	130,613.7	267,868.0	214,573.9	53,294.2	38,854.7	-	37,135.5	1,719.2	14.9	23,778.3	20,640.3
10	524,162.0	26,403.5	134.4	143,600.7	265,319.9	210,738.3	54,581.7	43,429.0	-	41,708.0	1,721.0	13.8	24,657.6	20,603.1
11	517,498.6	26,006.5	21.5	142,274.9	262,431.5	208,909.4	53,522.1	42,414.7	-	40,692.9	1,721.8	13.1	23,770.0	20,566.4
12	532,927.0	25,725.3	24.3	161,617.3	259,537.8	206,818.9	52,718.8	41,591.0	-	39,871.3	1,719.8	11.7	23,844.9	20,574.7

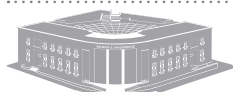
	Dejtimet totale / Total liabilities (2+ 3+ 4+ 10+ 14+ 15+ 16)	Para në qarkullim / Currency in circulation	Depozita të përfshira në paratë e gjerë / Deposits included in broad money (5+ 6+ 7+ 8+ 9)	Depozita të përfshira në paratë e gjerë excluded from broad money (5+ 6+ 7+ 8+ 9)	Jezidentë / Nonresidents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other depository corporations	Korporata të tjera jo financiare / Other nonfinancial corporations	Sektore të tjerë rezidentë / Other resi- dent sectors	Huatë / Loans (11+ 12+ 13)	Jezidentë / Nonresi- dents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other depository corporations	Llogarit të pagueshme / Other accounts pay- able	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	16
2015/12	516,357.9	239,218.1	1,787.9	201,585.6	31,826.2	26,340.8	142,966.8	87.4	364.4	1,809.6	1,809.6	-	-	461.3	8,104.4	63,391.1
2016/12	524,730.8	258,848.0	3,183.2	191,379.7	19,860.9	18,975.1	152,349.7	72.1	121.9	314.2	314.2	-	-	1,164.6	7,981.2	61,859.9
2017/12	532,927.0	274,711.8	3,899.2	200,513.9	19,350.9	34,384.3	146,632.1	66.7	79.9	115.6	115.6	-	-	463.8	7,340.5	45,882.2
2017/07	492,061.4	263,427.2	4,329.9	168,001.8	19,378.5	32,490.8	115,965.3	71.6	95.5	155.9	155.9	-	-	505.1	7,413.5	48,228.1
08	500,139.3	266,608.5	4,374.6	172,427.1	19,367.9	33,319.9	119,580.3	73.8	85.2	135.9	135.9	-	-	1,030.6	7,400.7	48,162.0
09	510,160.6	265,508.1	3,565.4	183,658.1	19,347.6	42,222.5	121,933.7	73.7	80.5	136.7	136.7	-	-	761.2	7,441.2	49,089.9
10	524,162.0	265,665.0	4,177.8	195,921.5	19,372.7	55,158.0	121,238.1	72.8	79.9	118.0	118.0	-	-	1,148.3	7,489.2	49,642.2
11	517,498.6	267,608.4	3,871.2	189,734.4	19,361.8	46,961.6	123,258.8	72.3	79.9	117.0	117.0	-	-	337.1	7,437.2	48,393.3
12	532,927.0	274,711.8	3,899.2	200,513.9	19,350.9	34,384.3	146,632.1	66.7	79.9	115.6	115.6	-	-	463.8	7,340.5	45,882.2

Burimi: Banka e Shqipërisë

* Për periudhën Dihjetor 2015-Pull 2016 është bërë riklasifikim i artit jo monetar nga zëri "Depozita" në zërin "Mjetet jo financiare".

* The data of December 2015-April 2016 reflect a reclassification of non-monetary gold from "Deposits" to "Non-financial assets".

Source: Bank of Albania.



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

	Mjetet e neto* / Net foreign assets* (2-3)	Pretendime ndaj joresidentëve / Claims on nonresidents		Mjetet e brendshme / Domestic assets (5+ 8+ 9+ 10+ 11+ 12)	Pretendime neto ndaj Qëndrore / Net claims on Central Government (6-7)	Pretendime ndaj Qëndrore / Claims on Central Government	Minus: Detyrime ndaj Qëndrore / Less:- liabilities to Central Government	Pretendime ndaj korporatave të financiare / Claims on other financial corporations	Pretendime ndaj korporatave publike / Claims on public nonfinancial corpora- tions	Pretendime ndaj korporatave të financiare / Claims on nonfinancial corpora- tions	Pretendime ndaj sektoreve të tjerë rezidentë / Claims on other resident sectors
		1	2								
2015/12	363,088.0	405,079.5	41,991.5	63,394.2	48,752.0	75,143.9	26,391.9	12,987.1	-	-	1,655.1
2016/12	389,612.7	418,562.1	28,949.4	65,915.7	34,255.6	53,279.9	19,024.3	29,934.4	-	-	1,725.7
2017/12	390,687.6	417,605.4	26,917.8	59,998.0	18,406.7	52,839.5	34,432.8	39,871.3	-	-	1,720.0
2017/07	356,196.0	383,427.3	27,231.3	55,128.5	21,301.1	53,826.9	32,525.8	32,108.9	-	-	1,718.5
08	355,963.7	383,655.7	27,692.0	62,096.6	20,925.2	54,278.9	33,353.8	39,452.1	-	-	1,719.4
09	369,545.9	396,946.6	27,400.7	49,967.3	11,111.2	53,371.6	42,260.4	37,135.5	-	-	1,720.6
10	377,188.7	405,084.6	27,895.9	42,928.2	-502.1	54,707.6	55,209.7	41,708.0	-	-	1,722.2
11	373,549.3	400,578.2	27,028.9	49,030.0	6,613.9	53,611.0	46,997.1	40,692.9	-	-	1,723.2
12	390,687.6	417,605.4	26,917.8	59,998.0	18,406.7	52,839.5	34,432.8	39,871.3	-	-	1,720.0

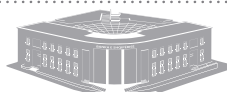
	Baza monetare / Monetary base (14+ 15+ 16)	Parafta në qarkullim / Currency in circulation	Detyrime ndaj korporatave të tjera depozituese / Liabilities to other depository corporations	Depozita të përfshira në paranë e gjerë / Deposits included in broad money	Depozita të papërfshira në paranë e gjerë / Deposits excluded from broad money	Huatë / Loans	Llogari të pagueshme / Other accounts payable	Të tjera neto / Other items net	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
2015/12	383,972.8	239,218.1	142,966.8	1,787.9	451.8	17	19	20	21
2016/12	414,380.9	258,848.0	152,349.7	3,183.2	194.0	-	34.2	-21,367.7	63,391.1
2017/12	425,243.1	274,711.8	146,632.1	3,899.2	146.6	-	47.2	-20,953.6	61,859.9
2017/07	383,722.5	263,427.2	115,965.3	4,329.9	167.1	-	29.0	-20,822.2	45,882.2
08	390,563.4	266,608.5	119,580.3	4,374.6	159.0	-	49.6	-20,873.7	48,228.1
09	391,007.3	265,508.1	121,933.7	3,565.4	154.3	-	94.3	-20,832.5	48,162.0
10	391,080.9	265,665.0	121,238.1	4,177.8	152.8	-	24.4	-20,783.3	49,089.9
11	394,738.4	267,608.4	123,258.8	3,871.2	152.3	-	36.8	-20,741.5	49,642.2
12	425,243.1	274,711.8	146,632.1	3,899.2	146.6	-	96.8	-20,683.2	48,393.3
									45,882.2

Burimi: Banka e Shqipërisë.

* Për periudhën Dihjetor 2015-Pirill 2016 është bërë riklasifikim i artit jo monetar nga zëri "Depozita" në zërin "Mjetet jo financiare".

* The data of December 2015-April 2016 reflect a reclassification of non-monetary gold from "Deposits" to "Non-financial assets".

Source: Bank of Albania.



1-3.A BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MJETET

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

Në milionë lekë, fund periudhe

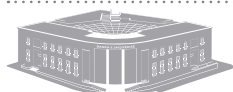
In millions ALL, end of period

	Totali i mjetëve / Total assets (2+ 3+ 4+ 8+ 12+ 22+ 25+ 26+ 27)		Arka në lekë / National currency		Arka në valutë / Foreign currency		Depozita / Deposits (5+ 6+ 7)		Jorezidentët / Nonresidents		Banka Qëndrore / Central Bank		Bankat para-depozituese / Deposit money banks		Leta me vlerë të ndryshme nga aksionet / Securities other than shares (9+ 10+ 11)			Nga të cilat / of which:			Jorezidentët / Nonresidents		Qeveria 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
2015/12	1,365,627.6	8,610.0	10,650.1	301,970.9	147,563.2	144,219.2	10,188.5	378,356.7																			
2016/12	1,446,048.9	9,424.8	13,685.4	302,582.2	140,174.5	151,994.3	10,413.5	426,178.2																			
2017/12	1,463,359.1	9,549.2	12,716.3	328,023.2	171,801.5	146,853.2	9,368.5	416,713.2																			
2017/07	1,431,032.1	10,384.9	16,759.5	305,270.3	177,324.8	120,402.6	7,542.9	409,571.4																			
08	1,441,680.3	11,016.9	18,336.1	307,494.7	180,441.4	120,401.3	6,652.0	405,789.2																			
09	1,449,287.9	10,925.3	13,120.8	309,469.8	176,616.4	127,673.7	5,179.8	411,842.8																			
10	1,456,000.5	11,019.2	14,439.9	314,891.4	186,052.8	122,249.7	6,588.9	416,840.7																			
11	1,461,881.7	12,529.2	13,689.6	316,464.7	185,453.6	124,534.4	6,476.7	422,259.5																			
12	1,463,359.1	9,549.2	12,716.3	328,023.2	171,801.5	146,853.2	9,368.5	416,713.2																			

	Huajtë / Loans (13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21)	Jorëzidentët / Nonresidents	Banka Qendrore / Central Bank	Bankat para- depozituese / Deposit money banks	Korporata jo- financiare / Other financial corporations	Qeveria Qendrore / Central Government	Gjeveeria lokale / Local government	Korporata jo-financiare publike / Public nonfinancial corporations	Korporata jo- financiare / Other non- financial corporations	Sektore të tjerë rezidentë / Other resident sectors	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity (23+ 24)	Jorëzidentët / Nonresidents	Rezidentët / Residents	Derivatet financiare / Financial derivatives	Llogaritë të akteve të tregut / Other accounts receivable	Mjetet jo-financiare / Nonfinancial assets
	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
2015/12	613,283.4	68,177.5	–	3,700.1	9,537.7	1,099.5	887.7	27,500.5	346,210.1	156,170.4	7,223.3	6,529.9	693.4	–	8,114.2	37,418.9
2016/12	637,885.3	94,431.0	–	2,561.2	8,687.6	947.5	845.5	26,863.9	343,070.3	160,478.3	8,023.0	7,192.2	830.8	–	8,886.8	39,383.1
2017/12	631,258.4	84,104.3	–	2,770.3	7,944.7	2,129.2	787.7	29,515.4	334,762.8	169,244.0	7,948.8	7,093.4	855.4	85.0	11,917.1	45,148.1
2017/07	631,323.2	91,232.8	–	1,588.8	8,740.1	799.3	796.9	28,904.8	333,886.9	165,373.7	7,838.1	6,961.4	876.7	–	9,182.7	40,702.0
08	641,236.3	96,888.6	–	1,558.3	8,391.8	801.3	794.5	29,290.7	336,191.1	167,320.1	7,952.1	7,074.8	877.3	–	9,011.8	40,843.3
09	645,947.4	95,983.1	–	2,105.2	8,210.7	2,140.3	809.6	29,431.3	339,280.2	167,987.0	8,081.5	7,225.2	856.3	–	8,878.6	41,021.6
10	638,827.8	90,012.5	–	2,222.4	8,252.0	2,137.4	797.0	29,485.9	337,696.4	168,224.1	8,110.6	7,254.7	856.0	86.5	9,324.4	42,459.9
11	637,163.8	86,532.2	–	2,235.9	8,285.4	2,138.6	796.0	29,560.0	338,531.5	169,084.2	8,178.9	7,322.7	856.2	85.9	8,888.6	42,621.4
12	631,258.4	84,104.3	–	2,770.3	7,944.7	2,129.2	787.7	29,515.4	334,762.8	169,244.0	7,948.8	7,093.4	855.4	85.0	11,917.1	45,148.1

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



1-3.B BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ DETYRIMET

Në milionë lekë, fund periodhe

SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ LIABILITIES 1-3.B

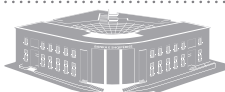
In millions ALL, end of period

	Detyrimet Total Liabilities (24+ 25+ 26+ 27+ 30)	Depozita të përfshira në parantë e gjerë / Deposits included in broad money (3+ 4+ 5+ 6+ 7)				Sektore të tjera rezidentë / Other resident sectors				Depozita të papërfshira në parantë e gjerë / Deposits not included in broad money (9+ 10+ 11+ 12+ 13+ 14+ 15+ 16)				Jorezidentët / Nonresident sectors				Banka e Shqipërisë / Bank of Albania				Korporata të depozitues / Other depository corporations				Qeveria Qendrore / Central Government				Korporata të tjera financiare / Other financial corporations				Korporata të tjera jo financiare / Other nonfinancial corporations				Sektore të tjera rezidentë / Other resident sectors			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16																								
2015/12	1,365,627.6		980,027.7	12,861.5	1,713.2	14,537.7	113,245.2	837,670.1	112,215.7	16,693.7	1,892.8	11,914.9	6,749.8	1,136.9	285.7	7,853.9	65,688.1																								
2016/12	1,446,048.9		1,005,978.9	11,997.6	2,292.5	13,154.1	136,885.4	841,649.4	138,410.1	14,902.5	356.2	13,771.4	9,277.4	938.9	338.3	8,106.7	90,718.7																								
2017/12	1,463,359.1		991,689.2	15,044.3	1,499.4	12,992.0	142,526.8	819,626.7	164,697.1	15,772.6	1,062.2	13,009.9	8,255.4	1,722.5	318.4	7,396.3	117,159.8																								
2017/07	1,431,032.1		984,450.1	12,847.7	1,281.1	12,286.0	138,022.5	820,012.8	149,683.8	15,821.2	4,615.3	10,780.4	9,586.2	1,026.8	281.4	7,782.0	99,790.5																								
08	1,441,680.3		984,972.8	13,918.1	1,338.1	12,278.0	138,804.6	818,634.0	151,653.6	13,244.0	1,198.7	9,396.1	8,622.3	1,130.2	278.1	7,288.7	110,495.6																								
09	1,449,287.9		987,778.6	14,215.5	1,343.5	12,486.4	142,072.6	817,660.7	156,959.5	13,232.4	5,897.8	8,048.2	8,424.1	1,083.9	278.4	7,784.8	112,209.8																								
10	1,456,000.5		985,330.7	14,440.7	1,451.5	13,731.2	140,518.6	815,188.7	159,117.1	13,874.2	1,370.2	10,377.0	8,885.6	1,154.5	298.4	7,493.1	115,664.2																								
11	1,461,881.7		988,277.6	14,361.9	1,576.9	14,754.3	143,094.7	814,489.7	159,919.4	14,147.4	1,770.3	11,189.4	8,855.9	1,256.6	269.2	7,202.3	115,228.3																								
12	1,463,359.1		991,689.2	15,044.3	1,499.4	12,992.0	142,526.8	819,626.7	164,697.2	15,772.6	1,062.2	13,009.9	8,255.4	1,722.5	318.4	7,396.3	117,159.8																								

	Leirat me vlerë të ndryshme nga aksionet (18+19)		Korporata të tjera jo-financiare / Other nonfinancial corporations	Sektore të tjerë rezidentë / Other resident sectors	Huajtë / Loans (21+ 22+ 23+ 24+ 25+ 26+ 27+ 28)		Jorezidentët / Nonresident sectors	Banka Qendrore / Central Bank	Korporata të tjera depozituese / Other depository corporations	Qeveria Qendrore / Central Government	Korporata të tjera jo-financiare / Other nonfinancial corporations	Sektore të tjerë rezidentë / Other resident sectors	Derivatet financiare / Financial derivatives	Llogarit të 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	
2015/12	4,284.9	108.8	4,176.1	41,248.7	21,589.7	12,987.7	4,096.5	750.0	1,797.3	-	-	27.5	-	92,758.2	135,092.4
2016/12	5,224.5	108.6	5,115.9	59,407.6	23,590.4	29,943.2	3,450.5	635.6	1,760.8	-	-	27.1	-	92,512.8	144,514.9
2017/12	6,258.0	160.3	6,097.7	69,800.1	23,962.5	39,875.5	2,774.7	524.6	2,636.1	-	-	26.7	-	73,940.8	156,973.7
2017/07	6,360.6	109.2	6,251.4	60,551.6	23,435.8	32,322.9	1,839.3	540.2	2,386.7	-	-	26.7	-	80,722.1	149,264.0
08	6,368.2	160.1	6,208.1	67,091.3	22,295.6	39,453.4	2,316.0	615.5	2,384.0	-	-	26.8	-	80,655.1	150,939.2
09	6,376.9	159.4	6,217.5	65,209.0	21,907.0	37,138.1	3,151.9	586.5	2,398.7	-	-	26.8	-	80,311.0	152,652.8
10	6,421.1	170.5	6,250.6	68,412.4	21,602.5	41,709.4	2,897.8	578.7	1,597.2	-	-	26.8	-	81,531.3	155,187.8
11	6,438.9	169.3	6,269.6	69,505.5	22,892.4	40,719.2	3,137.9	567.0	2,162.2	-	-	26.8	-	81,479.5	156,260.7
12	6,258.0	160.3	6,097.7	69,800.1	23,962.5	39,875.5	2,774.7	524.6	2,636.1	-	-	26.7	-	73,940.8	156,973.7

Burimi: Banka e Shqipërisë

Source: Bank of Albania



1-4 PARAQITJA MONETARE E BANKAVE PARADEPOZITUESE

Në milionë lekë, fund periudhe

MONETARY SURVEY OF DEPOSIT MONEY BANKS 1-4

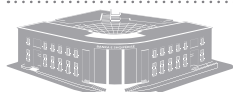
In millions ALL, end of period

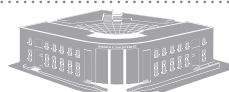
	Mjetet valutorë neto / Net foreign assets (2-3)	Pretendime ndaj qezënditësve / Claims on nonresidents	Minus: Detyrime ndaj qezënditësve less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+ 6+ 9+ 10+ 11+ 12+ 13)	Pretendime ndaj Bankës Qendrore / Claims on Central Bank	Pretendimet neto ndaj Qezënditësve / Net claims on Cen- tral Government (7-8)	Pretendimet ndaj Qezënditësve / Claims on Central Government	Minus: Detyrime ndaj Qezënditësve / Less: Liabilities to Cen- tral Government	Pretendime ndaj tjera financiare / Claims on other financial corporations	Pretendimet ndaj qezënditësve lokale / Claims on local governments	Pretendimet ndaj korporatave publike / Claims on public nonfinancial corporations	Pretendimet ndaj korporatave tjera finansiare / Claims on other nonfinancial corporations	Pretendime ndaj sektorëve të tjerë rezidentë / Claims on other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13
2015/12	251,483.7	297,847.9	46,364.2	999,103.9	152,829.2	305,274.9	314,529.0	9,254.0	10,231.1	887.7	27,500.5	346,210.1	156,170.4
2016/12	307,272.2	347,525.2	40,253.0	1,024,608.8	161,419.1	322,272.7	334,942.9	12,670.2	9,518.4	845.5	26,863.9	343,211.0	160,478.3
2017/12	309,767.5	350,040.7	40,273.2	1,032,090.5	156,402.3	332,578.2	344,602.1	12,023.9	8,800.1	787.7	29,515.4	334,762.8	169,244.0
2017/07	320,244.6	361,753.6	41,509.1	997,683.7	130,787.5	328,317.2	340,895.5	12,578.3	9,616.7	796.9	28,904.8	333,886.9	165,373.7
08	332,677.5	370,810.6	38,133.1	1,000,996.8	131,418.1	326,713.3	338,320.8	11,807.6	9,269.1	794.5	29,290.7	336,191.1	167,320.1
09	327,182.6	364,027.2	36,844.6	1,016,500.3	138,598.9	331,326.4	342,901.5	11,575.1	9,067.0	809.6	29,431.3	339,280.2	167,987.0
10	335,180.7	373,865.1	38,684.4	1,009,069.3	133,268.8	330,489.0	342,959.3	12,470.3	9,108.0	797.0	29,485.9	337,696.4	168,224.1
11	332,249.8	373,004.9	40,755.1	1,015,047.1	137,063.6	330,870.2	344,477.2	13,607.0	9,141.6	796.0	29,560.0	338,531.5	169,084.2
12	309,767.5	350,040.7	40,273.2	1,032,090.5	156,402.3	332,578.2	344,602.1	12,023.9	8,800.1	787.7	29,515.4	334,762.8	169,244.0

	Detyrime ndaj Bankës Qendrore / Liabilities to Central Bank	Depozita të përfshira në parafshirë te gjere / Deposits included in broad money (16+ 17)	Depozita të transferueshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa përfshirë në parafshirë / Deposits not included in broad money	Letra me vlerë të ndryshme nga akcionet / Securities others than shares	Huatë / Loans	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity	Rezerva rëvlerësimi / Of which: Valuation adjustment	Detyrime të tjera neto / Other net liabilities	Axhustimi i konsolidimit / Con- solidation adjustment
	14	15	16	17	18	19	20	21	22	23	24
2015/12	14,880.5	980,027.7	283,952.8	696,075.0	74,964.5	4,284.9	1,824.8	135,092.4	5,512.7	37,390.0	2,122.7
2016/12	30,299.4	1,005,978.9	351,219.8	654,759.1	100,102.6	5,224.5	1,787.9	144,514.9	4,937.4	39,725.5	4,247.2
2017/12	40,937.7	991,689.2	363,790.4	627,898.8	126,597.0	6,258.0	2,662.8	156,973.7	-1,907.5	13,093.6	3,645.8
2017/07	36,938.1	984,450.1	351,463.7	632,986.4	108,880.7	6,360.6	2,413.4	149,264.0	-642.1	26,133.4	3,488.1
08	40,652.0	984,972.8	353,764.5	631,208.3	119,192.6	6,368.2	2,410.8	150,939.2	-667.2	25,636.9	3,501.8
09	43,035.9	987,778.6	351,144.1	636,634.6	121,356.9	6,376.9	2,425.5	152,652.8	-452.8	26,141.2	3,915.2
10	43,079.6	985,330.7	354,975.5	630,355.2	124,610.2	6,421.1	1,624.0	155,187.8	-173.5	23,333.3	4,463.5
11	42,489.5	988,277.6	358,023.1	630,254.4	123,956.4	6,438.9	2,189.0	156,260.7	-775.2	22,070.2	5,614.7
12	40,937.7	991,689.2	363,790.4	627,898.8	126,597.0	6,258.0	2,662.8	156,973.7	-1,907.5	13,093.6	3,645.8

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.





1-5 BILANCI SEKTORIAL I SHOQËRIVE TË KURSIM-KREDITIT

Në milionë lekë, fund periudhe

SECTORAL BALANCE SHEET OF SAVINGS AND LOAN ASSOCIATIONS 1-5

In millions ALL, end of period

	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-depozituese / 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 non-financial corporations		Mjetë të tjera financiare / Other financial assets		Mjetë jo-financiare / Nonfinancial assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
2015/IV	6,673.1	6.6	0.0	1,726.3	283.1	1,443.2	9.9	4,833.5	4,833.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2016/IV	6,830.2	8.1	0.0	938.2	656.8	281.4	152.3	5,519.8	5,519.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/I	7,369.7	7.9	0.0	1,092.3	740.2	352.1	145.1	5,894.7	5,894.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/II	7,685.4	9.1	0.1	1,195.7	743.2	452.5	143.7	6,011.7	6,011.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/III	8,129.8	10.8	0.0	1,508.6	1,047.2	461.4	126.4	6,155.0	6,155.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

	Detyrimet totale / Total liabilities (2+5+8+12+13)		Depozita të përfshira në parantë e gjerë / Deposits included in broad money (3+ 4)		Sektorë të tjerë rezidentë / Other resident sectors		Korporatat e tjera jo-financiare / Other non-financial corporations		Depozita të përfshira në parantë e gjerë / Deposits excluded from broad money (6+ 7)		Sektorë të tjerë rezidentë / Other resident sectors		Korporatat e tjera jo-financiare / Other non-financial corporations		Huatë / Loans (9+ 10+ 11)		Korporatat e tjera financiare / Other financial corporations		Bankat para-depozituese / Deposit money banks		Qeveria gjendëtare / 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	14	15	16	17	18	19	20	21	22	23	24	25	26
2015/IV	6,673.1	3,758.3	3,758.3	—	152.6	152.6	—	1,595.1	1,317.7	277.4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2016/IV	6,830.2	4,884.4	4,884.4	—	123.7	123.7	—	557.6	182.4	375.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/IV	8,445.2	6,162.5	6,162.5	—	114.9	114.9	—	761.3	—	761.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/I	7,369.7	5,191.3	5,191.3	—	107.1	107.1	—	738.0	59.8	678.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/II	7,685.4	5,376.2	5,376.2	—	103.2	103.2	—	813.1	35.6	777.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/III	8,129.8	5,814.6	5,814.6	—	102.9	102.9	—	764.1	—	764.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2017/IV	8,445.2	6,162.5	6,162.5	—	114.9	114.9	—	761.3	—	761.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

1-6 PARAQITJA MONETARE E KORPORATAVE TË TJERA DEPOZITUESE

MONETARY SURVEY OF OTHER DEPOSITORY CORPORATIONS 1-6

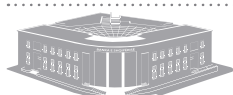
In millions ALL, end of period

	Mjetet e vleruara nëo / Net foreign assets (23)	Pretendime ndaj jorezidentëve / Claims on nonresidents	Minus: Detyrime ndaj jorezidentëve / Less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+ 6+ 9+ 10+ 11+ 12+ 13)		Pretendime ndaj Bankës Qendrore / Claims on Central Bank	Pretendimet ndaj Qëndrore / Claims on Central Government	Minus: Detyrime ndaj Qendrore / Less: Liabilities to Central Government	Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations	Pretendimet ndaj korporatave publike / Claims on public or nonfinancial corporations	Pretendimet ndaj korporatave të tjerë / Claims on other resident sectors		
				1	2							3	4
2015/12	251,483.7	297,848.0	46,364.2	1,005,397.1	152,835.8	305,284.8	314,538.9	9,254.0	11,674.3	887.7	27,500.5	346,210.1	161,003.9
2016/12	307,272.2	347,525.2	40,253.0	1,030,570.3	161,427.2	322,424.9	335,095.1	12,670.2	9,799.8	845.5	26,863.9	343,211.0	165,998.0
2017/12	309,767.6	350,040.8	40,273.2	1,039,061.9	156,409.0	332,738.1	344,762.0	12,023.9	9,298.9	787.7	29,515.4	334,762.8	175,550.1
2017/07	320,244.7	361,753.7	41,509.1	1,004,300.7	130,796.6	328,460.9	341,039.1	12,578.3	10,069.3	796.9	28,904.8	333,886.9	171,385.4
08	332,677.6	370,810.7	38,133.1	1,007,613.8	131,427.2	326,856.9	338,664.5	11,807.6	9,721.6	794.5	29,290.7	336,191.1	173,331.9
09	327,182.6	364,027.2	36,844.6	1,023,253.9	138,609.7	331,452.8	343,027.9	11,575.1	9,528.4	809.6	29,431.3	339,280.2	174,141.9
10	335,180.7	373,865.1	38,684.4	1,015,822.9	133,279.7	330,615.4	343,085.7	12,470.3	9,569.4	797.0	29,485.9	337,696.4	174,379.1
11	332,249.8	373,004.9	40,755.1	1,021,800.7	137,074.4	330,996.6	344,603.6	13,607.0	9,603.0	796.0	29,560.0	338,531.5	175,239.2
12	309,767.6	350,040.8	40,273.2	1,039,061.9	156,409.0	332,738.1	344,762.0	12,023.9	9,298.9	787.7	29,515.4	334,762.8	175,550.1

	Detyrime ndaj Bankës Qendrore / Liabilities to Central Bank	Depozita të përfshira në parantë e gjerë / Deposits included in broad money (16+ 17)	Depozita të transferueshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa përfshira në parantë e gjerë / Deposits not included in broad money	Leira me vlerë të ndryshme nga aksionet / Securities others than shares	Huatë / Loans	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity	Nga të cilat: Rezerva vlerësimi / Of which: Valuation adjustment	Detyrime të tjera neto / Other net liabilities	Axhustimi i konsolidimit / Consolidation adjustment
	14	15	16	17	18	19	20	21	22	23	24
2015/12	14,880.5	983,786.0	283,952.8	699,833.3	75,117.1	4,284.9	3,142.5	136,110.8	5,512.7	37,441.9	2,117.1
2016/12	30,299.4	1,010,863.3	351,219.8	659,643.5	100,226.3	5,224.5	1,970.4	145,494.5	4,937.4	39,798.6	3,965.6
2017/12	40,937.7	997,851.7	363,790.4	634,061.3	126,711.9	6,258.0	2,662.8	158,238.6	-1,907.5	12,978.1	3,190.5
2017/07	36,938.1	989,826.3	351,463.7	638,362.6	108,983.9	6,360.6	2,449.0	150,458.8	-642.1	26,006.4	3,522.3
08	40,652.0	990,349.0	353,764.5	636,584.5	119,295.8	6,368.2	2,446.5	152,134.0	-667.2	25,509.8	3,536.1
09	43,035.9	993,593.2	351,144.1	642,449.2	121,459.8	6,376.9	2,425.5	153,894.9	-452.8	26,018.4	3,632.1
10	43,079.6	991,145.3	354,975.5	636,169.8	124,713.1	6,421.1	1,624.0	156,429.9	-173.5	23,410.4	4,180.4
11	42,489.5	994,092.2	358,023.1	636,069.0	124,059.3	6,438.9	2,189.0	157,502.8	-775.2	21,947.4	5,331.6
12	40,937.7	997,851.7	363,790.4	634,061.3	126,711.9	6,258.0	2,662.8	158,238.6	-1,907.5	12,978.1	3,190.5

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



MONETARY SURVEY OF DEPOSITORY CORPORATIONS 1-7
In millions ALL, end of period

	Detyrimet e parashë gjere / Broad liabilities (15+16)	Paraja iacshë korpore me depozite / Money of share positiv corporations	Depozita të parashë gjere / Deposits included in broad money (17+ 18)			Depozita të transfeshme / Transferable deposits		Depozita të pa përfshira në parashë gjere / Deposits excluded from broad money		Letra me vlerë të ndryshme nga aktoret / Securities other than shares	Huatë / Loans	Llogaritje pageshme / Other accounts pay- able	Aksione dhe instru- mente të fere të kapitalit / Shares and other equity	Nga te cilat: rezerva rirereshimi / Of which: valu- ation adjustment	Detyrime të fere nelo / Other liabilities net	Aksionimi / Consolidation adjustment
			15	16	17	18	19	20								
2015/12	14	230,601.5	985,573.9	283,990.6	701,583.3	75,568.9	4,284.9	3,142.5	34.2	199,501.9	36,251.4	18,191.3	641.1	26	26	
2016/12		1,263,461.6	249,415.1	1,014,046.5	351,283.5	662,763.1	100,420.3	5,224.5	1,970.4	5,224.5	1,970.4	22,810.6	720.4			
2017/12		1,266,906.9	265,156.0	1,001,750.9	363,834.7	637,916.2	126,858.6	6,258.0	2,662.8	6,258.0	2,662.8	-4,514.6	845.4			
2017/07		1,247,189.5	253,033.3	994,156.3	351,517.0	642,639.3	109,151.0	6,360.6	2,449.0	6,360.6	2,449.0	8,706.5	392.0			
08		1,250,306.1	255,582.5	994,723.6	353,817.9	640,905.7	119,454.8	6,368.2	2,446.5	6,368.2	2,446.5	8,172.2	379.0			
09		1,251,730.7	254,572.1	997,158.6	351,197.2	645,961.4	121,614.0	6,376.9	2,425.5	6,376.9	2,425.5	8,817.9	160.5			
10		1,249,958.2	254,635.0	995,323.1	355,073.4	640,249.8	124,865.9	6,421.1	1,624.0	6,421.1	1,624.0	6,807.4	359.9			
11		1,253,031.8	255,068.4	997,963.4	358,076.2	639,887.2	124,211.6	6,438.9	2,189.0	6,438.9	2,189.0	6,537.4	521.0			
12		1,266,906.9	265,156.0	1,001,750.9	363,834.7	637,916.2	126,858.6	6,258.0	2,662.8	6,258.0	2,662.8	-4,514.6	845.4			

Source: Banka e Shqipërisë.

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 korporative 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)														
2015/12	1,216,175.3	722,954.1	384,106.9	230,601.5	153,505.5	338,847.2	493,221.2							
2016/12	1,263,461.6	736,950.4	435,438.7	249,415.1	186,023.6	301,511.7	526,511.2							
2017/12	1,266,906.9	738,900.0	461,550.1	265,156.0	196,394.1	277,349.9	528,006.9							
2017/07	1,247,189.5	726,655.8	438,377.8	253,033.3	185,344.5	288,278.0	520,533.8							
08	1,250,306.1	720,558.0	438,290.8	255,582.5	182,708.3	282,267.2	529,748.1							
09	1,251,730.7	721,202.6	438,641.2	254,572.1	184,069.1	282,561.5	530,528.1							
10	1,249,958.2	720,750.8	441,268.6	254,635.0	186,633.6	279,482.3	529,207.3							
11	1,253,031.8	723,022.7	444,572.9	255,068.4	189,504.5	278,449.8	530,009.1							
12	1,266,906.9	738,900.0	461,550.1	265,156.0	196,394.1	277,349.9	528,006.9							
Ndryshimi vjetor në përqindje / Annual percentage changes														
2015/12	1.8	0.1	8.7	5.9	13.2	-8.2	4.3							
2016/12	3.9	1.9	13.4	8.2	21.2	-11.0	6.7							
2017/12	0.3	0.3	6.0	6.3	5.6	-8.0	0.3							
2017/07	2.9	1.3	10.2	8.2	13.0	-9.9	5.3							
08	1.7	1.0	8.8	8.2	9.5	-9.1	2.6							
09	1.7	0.7	8.1	7.8	8.4	-8.9	2.9							
10	1.7	1.2	8.2	7.9	8.6	-8.1	2.5							
11	1.6	1.6	8.5	7.7	9.5	-7.8	1.5							
12	0.3	0.3	6.0	6.3	5.6	-8.0	0.3							

Burimi : Banka e Shqipërisë.

Source : Bank of Albania.



COUNTERPARTS OF MONETARY AGGREGATES 1-8.B

1-8.B KUNDËRPARTITË E AGREGATËVE MONETARË

	Mjetet valutore neto / Net Foreign Assets	Mjetet e brendshme / Domestic assets (3+4)		Pretendimet ndaj Qeverisë Qëndrore neto / Net claims on Central Government		Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *		Të tjera neto / Other items net	
	1	2	3	4	5	6	7	8	9
		Gjendja në fund të periudhës (milione Lekë) / Stock at end of period (in millions ALL)							
2015/12	614,571.7	902,968.4	354,036.8	548,931.6	18,191.3				
2016/12	696,885.0	905,124.5	356,680.5	548,444.0	22,810.6				
2017/12	700,455.1	902,779.7	351,144.8	551,634.9	(4,514.6)				
2017/07	676,440.7	896,523.7	349,762.0	546,761.8	8,706.5				
08	688,641.3	898,831.1	347,782.1	551,049.0	8,172.2				
09	696,728.5	897,476.0	342,564.0	554,912.0	8,817.9				
10	712,369.4	883,763.4	330,113.3	553,650.0	6,807.4				
11	705,799.1	893,063.4	337,610.5	555,452.9	6,537.4				
12	700,455.1	902,779.7	351,144.8	551,634.9	(4,514.6)				
		Ndryshimi vjetor në përqindje / Annual percentage changes							
	Mjetet valutore neto / Net foreign assets	Mjetet e brendshme / Domestic assets	Pretendimet ndaj Qeverisë Qëndrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *					
2015/12	17.1	-4.8	-8.3	-2.4					
2016/12	13.4	0.2	0.7	-0.1					
2017/12	0.5	-0.3	-1.6	0.6					
2017/07	3.3	3.4	10.6	-0.7					
08	0.8	3.3	9.3	-0.1					
09	1.5	2.9	6.6	0.8					
10	3.7	0.5	0.7	0.3					
11	2.3	0.7	1.6	0.2					
12	0.5	-0.3	-1.6	0.6					

Burimi: Banka e Shqipërisë

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

Source: Bank of Albania.
* Include credit to economy and other claims on broad money holding sectors.

LEK DENOMINATED DEPOSITS BY SECTORS* 1-9

In millions ALL, end of period

1-9 DEPOZITAT NË LEKË SIPAS SEKTORËVE*

Në milionë lekë, fund periudhë

	Totali i depozitave / Total deposits (2+8)	Ilogarit rrethëse dhe depozita pa atar / Current account and sight deposits (3+ 4+ 5+ 6+ 7)	Qeveria lokale / Local government	Korporatat finansiare publike / Public nonfinancial corporations	Korporatat tjera finansiare / Other financial corporations	Korporatat tjera jo finansiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Depozitat me atar / Time deposits (9+ 10+ 11+ 12+ 13)	Qeveria lokale / Local government	Korporatat finansiare publike / Public nonfinancial corporations	Korporatat tjera finansiare / Other financial corporations	Korporatat tjera jo finansiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13
2015/12	492,352.7	153,505.5	1,473.8	8,329.0	1,979.5	39,848.3	101,874.9	338,847.2	29.9	793.0	5,575.9	8,723.4	323,725.0
2016/12	487,535.3	186,023.6	1,907.5	6,786.0	2,071.0	46,051.0	129,208.1	301,511.7	18.9	976.8	7,553.4	6,502.2	286,460.4
2017/12	473,744.1	196,394.1	1,344.4	8,656.7	2,524.8	48,979.3	134,889.0	277,349.9	15.2	705.2	9,282.1	9,062.4	258,285.1
2017/07	473,622.5	185,344.5	1,206.7	7,571.3	2,776.1	44,902.5	128,888.0	288,278.0	15.1	975.2	8,618.9	7,812.9	270,855.9
08	464,975.5	182,708.3	1,214.5	7,542.3	2,626.9	44,920.2	126,404.4	282,267.2	15.1	967.9	9,187.5	7,852.1	264,244.6
09	466,630.6	184,069.1	1,259.0	7,961.6	2,135.4	45,918.1	126,795.1	282,561.5	15.1	958.9	8,801.8	11,181.7	261,604.1
10	466,115.8	186,633.6	1,336.0	9,414.8	2,485.6	45,538.7	127,858.4	279,482.3	15.1	720.1	8,717.2	10,258.6	259,771.2
11	467,954.3	189,504.5	1,443.8	9,977.9	2,623.7	46,415.9	129,043.3	278,449.8	15.1	1,011.0	8,408.0	10,184.5	258,831.2
12	473,744.1	196,394.1	1,344.4	8,656.7	2,524.8	48,979.3	134,889.0	277,349.9	15.2	705.2	9,282.1	9,062.4	258,285.1

1-10 DEPOZITAT NË VALUTË SIPAS SEKTORËVE*

Në milionë lekë, fund periudhë

FOREIGN CURRENCY DENOMINATED DEPOSITS BY SECTORS* 1-10

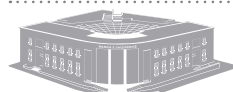
In millions ALL, end of period

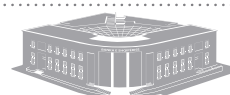
	Totali i depozitave / Total deposits (2+8)	Ilogarit rrethëse dhe depozita pa atar / Current account and sight deposits (3+ 4+ 5+ 6+ 7)	Qeveria lokale / Local government	Korporatat finansiare publike / Public nonfinancial corporations	Korporatat tjera finansiare / Other financial corporations	Korporatat tjera jo finansiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Depozitat me atar / Time deposits (9+ 10+ 11+ 12+ 13)	Qeveria lokale / Local government	Korporatat finansiare publike / Public nonfinancial corporations	Korporatat tjera finansiare / Other financial corporations	Korporatat tjera jo finansiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13
2015/12	493,221.2	193,918.3	209.5	3,444.2	2,797.1	52,976.4	134,491.1	299,302.9	-	1,971.5	4,260.2	11,697.2	281,374.0
2016/12	526,511.2	250,122.0	366.1	2,999.4	1,815.4	73,326.4	171,614.8	276,389.2	-	2,391.9	3,698.7	11,005.7	259,292.9
2017/12	528,006.9	267,413.0	139.8	2,086.3	3,756.9	74,187.3	187,242.7	260,593.8	-	1,543.8	3,336.9	10,297.9	245,415.2
2017/07	520,533.8	257,220.0	59.4	1,968.3	2,232.4	73,366.1	179,593.9	263,313.7	-	1,771.2	3,498.4	11,941.1	246,103.2
08	529,748.1	265,848.3	108.6	1,992.5	3,030.5	75,690.7	185,026.1	263,899.8	-	1,775.3	3,395.6	10,341.6	248,387.3
09	530,528.1	263,816.4	69.4	1,756.9	2,680.4	73,778.1	185,531.5	266,711.7	-	1,809.0	4,111.4	11,194.7	249,586.6
10	529,207.3	265,973.9	100.5	2,039.7	4,180.0	74,836.5	184,817.3	263,233.4	-	1,556.5	3,139.2	9,884.8	248,653.0
11	530,009.1	267,024.7	118.0	2,211.7	4,043.4	75,452.9	185,198.6	262,984.4	-	1,553.8	3,106.4	11,041.4	247,282.8
12	528,006.9	267,413.0	139.8	2,086.3	3,756.9	74,187.3	187,242.7	260,593.8	-	1,543.8	3,336.9	10,297.9	245,415.2

Burimi: Banka e Shqipërisë

* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parës së gjërë.

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





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

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

	Total i kredisë / Total credit (2+ 8)		Kredita në lekë / Credit in national currency (3+ 4+ 5+ 6+ 7)		Qeveria lokale / local government		Korporatat joфинансiare publike / Public nonfinancial corporations		Korporata të tjera joфинансiare / Other nonfinancial corporations		Korporata të financiare / Other financial corporations		Sektorë të tjerë rezidentë / Other resident sectors		Kredita në valutë / Credit in foreign currency (9+ 10+ 11+ 12+ 13)		Qeveria lokale / local government		Korporatat joфинансiare publike / Public nonfinancial corporations		Korporata të tjera joфинансiare / Other nonfinancial corporations		Korporata të financiare / Other financial corporations		Sektorë të tjerë rezidentë / Other resident sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
2015/12	546,793.9	240,783.9	887.7	22,406.9	122,166.0	5,036.2	90,287.1	306,010.0	-	5,093.6	224,044.1	4,501.5	72,370.8													
2016/12	547,191.2	259,547.5	845.5	23,993.9	131,743.5	4,242.3	98,722.3	287,643.7	-	2,870.0	211,326.7	4,445.3	69,001.6													
2017/12	550,280.4	273,258.3	787.7	24,453.5	136,075.7	3,522.3	108,419.1	277,022.2	-	5,061.9	198,687.2	4,422.3	68,850.7													
2017/07	545,431.7	268,229.3	796.9	24,111.5	135,081.1	3,984.1	104,255.7	277,202.4	-	4,793.4	198,805.8	4,756.0	68,847.3													
08	549,718.6	268,654.9	794.5	24,382.4	134,203.6	3,726.8	105,547.7	281,063.6	-	4,908.2	201,987.5	4,665.0	69,502.9													
09	553,592.9	272,300.2	809.6	24,473.7	136,964.6	3,632.8	106,419.5	281,292.7	-	4,957.6	202,315.6	4,577.9	69,441.6													
10	552,331.5	272,376.4	797.0	24,527.3	136,560.0	3,488.0	107,004.1	279,955.0	-	4,958.6	201,136.4	4,764.1	69,096.0													
11	554,133.9	273,136.0	796.0	24,458.9	136,697.8	3,522.3	107,661.1	280,997.8	-	5,101.1	201,833.7	4,763.1	69,299.9													
12	550,280.4	273,258.3	787.7	24,453.5	136,075.7	3,522.3	108,419.1	277,022.2	-	5,061.9	198,687.2	4,422.3	68,850.7													

Burimi: Banka e Shqipërisë

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

Source: Bank of Albania
* 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

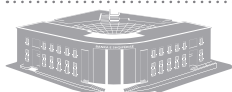
**LOANS OF NON-FINANCIAL CORPORATIONS BY
ECONOMIC ACTIVITY (NACE - REV.2) * 1-12**
In millions ALL, end of period

	1	2	3	4	5	6	7	8	9	10	11
	Totali i huave për korporatat jo-financiare / Total loans to non-financial corporations (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10+ 11+ 12+ 13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21+ 22)	Bujëria, Pyet, Peshkimi / Agriculture, forestry and fishing	Industria nxjerrëse / Mining and quarrying	Industria përpunuese / Manufacturing	Energjia elektrike, furnizimi me gaz, avull dhe qer i kondicionuar / Electricity, gas, steam and air conditioning supply	Furnizimi me ujë, aktivitetet të raqitit dhe menaxhimit të mbeturinave, mbejeve / Water supply, sewerage, waste management and remediation activities	Ndërtim / Construction	Tregtia me shumicë dhe me pakicë; Riparimi i automjeteve dhe motokicave / Wholesale and retail trade; repair of motor vehicles and motorcycles	Transporti dhe magazinimi / Transportation and storage	Akomodimi dhe shërbimi ushqimor / Accommodation and food service activities	Informacioni dhe komunikimi / Information and communication
2016/12	369,934.2	5,192.1	7,201.7	59,213.8	48,950.3	179.1	46,975.4	125,804.8	7,373.1	13,314.7	4,523.6
2017/12	364,278.3	5,360.0	7,725.9	54,119.6	52,664.8	234.6	46,368.6	119,800.1	7,806.3	13,550.5	3,872.0
2017/07	362,791.6	4,941.9	7,237.2	59,095.1	50,956.4	182.6	44,963.3	120,871.5	7,408.9	13,285.8	4,121.4
08	365,481.7	4,966.4	7,538.0	58,461.0	51,057.5	180.4	46,313.4	119,905.6	7,396.8	13,949.0	3,967.3
09	368,711.5	5,358.3	7,596.8	57,115.1	51,913.0	178.5	47,677.5	119,959.4	7,697.3	13,911.6	3,952.6
10	367,182.3	5,441.8	7,443.0	55,091.8	52,352.6	177.7	46,906.1	121,120.3	7,573.9	14,317.8	3,759.5
11	368,091.5	5,415.9	7,949.2	55,291.4	52,748.8	155.7	47,675.9	121,558.7	7,686.9	14,426.3	3,937.5
12	364,278.3	5,360.0	7,725.9	54,119.6	52,664.8	234.6	46,368.6	119,800.1	7,806.3	13,550.5	3,872.0

	12	13	14	15	16	17	18	19	20	21	22
	Aktivitetet financiare dhe sigurimi / Financial and insurance activities	Aktivitetet pasive 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, Sigurimi social i detyrueshem dhe mbrojtja / Public administration and defence; compulsory social security	Asimi / Education	Shëndetësia dhe aktivitetet sociale / Human health and social work activities	Arte, argëtim dhe lojë / Arts, entertainment and recreation	Aktivitetet tjera shërbimi / Other service activities	Aktivitetet të familjeve si punësdhënës; Aktivitetet të prodhimit të mallrave të shërbimit / Activities of households as employers, undifferentiated goods and services-producing activities of HH for own use	Aktivitetet të organizatave dhe organizatave ndërkombëtare / Activities of extraterritorial organisations and bodies
2016/12	1,661.2	4,919.9	879.8	444.8	1,622.4	5,582.7	2,844.6	5,170.5	24,275.7	3,665.7	138.5
2017/12	2,779.0	4,178.1	823.5	390.9	1,659.6	5,685.1	3,765.9	2,992.4	28,133.6	2,118.1	249.7
2017/07	2,472.9	4,328.2	811.7	408.1	1,321.9	5,523.1	4,270.7	3,862.8	24,085.5	2,335.9	306.7
08	2,567.2	4,308.6	795.4	394.2	1,506.0	5,553.7	4,233.3	3,950.0	25,994.1	2,045.9	398.0
09	2,464.8	4,351.7	798.7	403.8	1,646.3	5,492.6	4,281.8	3,926.6	27,554.0	2,050.5	380.8
10	2,737.2	4,278.3	791.5	399.5	1,651.6	5,386.2	4,236.5	3,897.9	27,231.7	2,016.4	371.2
11	2,791.9	4,204.3	816.5	392.5	1,593.5	5,338.3	4,147.7	3,127.7	26,415.8	2,049.7	367.5
12	2,779.0	4,178.1	823.5	390.9	1,659.6	5,685.1	3,765.9	2,992.4	28,133.6	2,118.1	249.7

Burimi: Banka e Shqipërisë

* Të dhënat e huave përfshijnë interesat e përllogaritur.

Source: Bank of Albania
* Data on loans include accrued interests.

1-13A HUATË E KORPORATAVE JOFINANCIARE PRIVATE SIPAS QËLIMIT 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 joфинанциаре private / Private non-financial corporations loans (2+ 9+ 10+ 23)							
	1	2	3	4	5	6	7	8
2015/12	346,210.1	122,166.0	33,175.9	29,980.8	2,264.1	27,067.2	29,538.4	139.7
2016/12	343,070.3	131,743.5	35,650.4	30,592.0	3,730.4	32,431.8	29,220.0	119.1
2017/12	334,762.9	136,075.7	39,629.6	29,091.1	4,759.9	34,169.1	28,195.1	231.0
2017/07	333,886.8	135,081.0	38,623.2	28,484.8	4,143.5	33,731.2	29,875.4	222.9
08	336,191.0	134,203.5	38,682.6	28,402.0	4,147.6	33,584.8	29,162.5	224.0
09	339,280.2	136,964.6	39,425.4	29,221.5	4,831.1	34,143.7	29,117.7	225.1
10	337,696.4	136,560.0	39,515.0	28,396.5	4,870.8	34,544.4	29,008.4	225.0
11	338,531.5	136,697.8	39,387.9	28,581.5	4,773.0	34,861.4	28,867.5	226.6
12	334,762.9	136,075.7	39,629.6	29,091.1	4,759.9	34,169.1	28,195.1	231.0

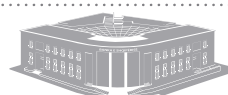
	Në dollarë amerikanë / In USD (10+ 11+ 12+ 13+ 14+ 15)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për çelje biznesi / Loans for starting up a business	Blerje pajisjesh / Machines and appliances	Posuri të përcaktuara / Real estate	Hua për investime në instrumenta financiare/ loans for investments in financial instruments
	9	10	11	12	13	14	15
2015/12	38,407.9	19,760.0	7,359.7	1,171.3	7,135.9	2,981.1	—
2016/12	32,738.4	16,542.3	6,196.1	597.7	6,846.0	2,556.2	—
2017/12	19,992.0	9,763.7	3,283.5	—	3,536.8	3,408.0	—
2017/07	20,800.8	10,418.0	4,483.4	17.1	3,202.4	2,679.9	—
08	20,129.9	10,215.1	4,124.0	17.0	3,110.2	2,663.7	—
09	19,270.0	9,739.3	3,540.3	4.0	3,138.3	2,848.1	—
10	19,931.8	10,049.7	3,502.5	—	3,413.5	2,966.1	—
11	20,415.2	10,153.1	3,503.1	—	3,575.3	3,183.6	—
12	19,992.0	9,763.7	3,283.5	—	3,536.8	3,408.0	—

	Në euro / In EUR (17+ 18+ 19+ 20+ 21+ 22)							
	16	17	18	19	20	21	22	23
2015/12	185,611.0	43,026.9	25,260.3	130.8	61,081.4	56,111.7	-	25.2
2016/12	178,567.6	40,229.6	24,731.1	475.2	60,186.1	52,945.6	-	20.8
2017/12	178,694.0	47,301.7	19,315.9	1,462.1	59,304.0	51,155.1	155.2	1.2
2017/07	178,003.4	45,307.6	21,005.2	1,079.9	59,051.5	51,451.5	107.7	1.6
08	181,856.5	47,163.0	21,324.8	1,202.7	59,790.6	52,268.6	106.9	1.1
09	183,044.5	47,036.5	21,048.9	1,210.0	61,008.1	52,570.9	170.2	1.2
10	181,203.4	46,155.0	21,258.6	1,266.2	60,009.9	52,347.8	166.0	1.2
11	181,417.3	45,263.9	21,644.7	1,353.2	60,582.5	52,410.6	162.6	1.2
12	178,694.0	47,301.7	19,315.9	1,462.1	59,304.0	51,155.1	155.2	1.2

Burimi: Banka e Shqipërisë

* Të dhënat e huave përfaqësojnë interesat e përfituarit.

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 jo-financiare publike / Public non-financial corporations loans (2+ 8+ 14+ 20)	Në lekë / In ALL (3+ 4+ 5+ 6+ 7)	Ovëdrat / Overdraft	Kapital qarkullues / Working capital	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua të tjera / Other loans
	1	2	3	4	5	6	7
2015/12	27,500.5	22,406.9	21,028.1	11.0	1,313.5	54.3	0.0
2016/12	26,863.9	23,993.9	21,895.9	286.4	1,107.5	704.0	0.0
2017/12	29,515.4	24,453.5	22,003.3	287.7	901.8	1,260.6	0.0
2017/07	28,904.8	24,111.5	21,712.4	290.1	986.1	1,122.9	0.0
08	29,290.7	24,382.5	22,001.8	290.9	969.9	1,119.9	0.0
09	29,431.3	24,473.7	21,952.8	288.2	953.3	1,279.4	0.0
10	29,485.9	24,527.3	22,029.7	289.4	934.6	1,273.7	0.0
11	29,560.0	24,458.9	21,983.7	290.0	918.3	1,266.8	0.0
12	29,515.4	24,453.5	22,003.3	287.7	901.8	1,260.6	0.0

	Në dollarë amerikanë / In USD (9+ 10+ 11+ 12+ 13)	Ovëdrat / Overdraft	Kapital qarkullues / Working capital	Blerje pajisjesh / Machineries and appliances	Pasuri të paluajtshme / Real estate	Hua të tjera / Other loans
	8	9	10	11	12	13
2015/12	0.1	0.1	-	-	-	0.0
2016/12	0.1	0.1	-	-	-	0.0
2017/12	0.1	0.1	-	-	-	0.0
2017/07	0.1	0.1	-	-	-	0.0
08	0.1	0.1	-	-	-	0.0
09	0.1	0.1	-	-	-	0.0
10	0.1	0.1	-	-	-	0.0
11	0.1	0.1	-	-	-	0.0
12	0.1	0.1	-	-	-	0.0

	Në euro / In EUR (15+ 16+ 17+ 18+ 19)	Ovëdrat / Overdraft	Kapital qarkullues / 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
2015/12	5,093.5	5,093.5	-	-	-	0.0	0.0
2016/12	2,869.9	2,869.9	-	-	-	0.0	0.0
2017/12	5,061.8	5,061.8	-	-	-	0.0	0.0
2017/07	4,793.2	4,793.2	-	-	-	0.0	0.0
08	4,908.1	4,908.1	-	-	-	0.0	0.0
09	4,957.5	4,957.5	-	-	-	0.0	0.0
10	4,958.5	4,958.5	-	-	-	0.0	0.0
11	5,101.0	5,101.0	-	-	-	0.0	0.0
12	5,061.8	5,061.8	-	-	-	0.0	0.0

Burimi: Banka e Shqipërisë

*Të dhënat e huave përfshijnë interesat e përfituar.

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*

HOUSEHOLDS + NON-PROFIT INSTITUTIONS SERVING INDIVIDUALS BY PURPOSE AND CURRENCY* 1-14

Në milionë lekë, fund periudhe

In millions ALL, end of period

	Huatë për individët dhe institucionet jo me qëllim fitimi që u shërbejnë individëve / Households + Non-profit institutions serving households: loans (2+ 9+ 10+ 23)							nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status
	1	2	3	4	5	6	7	
2015/12	156,170.4	83,799.6	7,339.6	16,624.1	11,465.1	42,427.5	5,943.4	2,008.4
2016/12	160,478.4	91,476.6	6,649.9	19,511.2	12,735.5	46,701.9	5,878.1	1,787.3
2017/12	169,243.9	100,393.2	6,417.5	22,955.8	14,322.4	50,553.6	6,143.9	2,481.3
2017/07	165,373.7	96,526.3	6,893.0	21,551.0	13,792.3	48,296.0	5,994.1	1,863.6
08	167,320.2	97,817.2	6,810.9	21,871.6	13,962.6	48,633.3	6,538.9	2,442.0
09	167,987.1	98,545.4	6,850.9	22,116.5	14,034.8	49,383.2	6,160.0	2,446.5
10	168,224.2	99,128.2	6,738.6	22,581.9	14,100.8	49,602.2	6,104.7	2,429.9
11	169,084.3	99,784.4	6,736.9	22,713.3	14,224.7	49,977.8	6,131.7	2,442.5
12	169,243.9	100,393.2	6,417.5	22,955.8	14,322.4	50,553.6	6,143.9	2,481.3

	Në dollarë amerikanë / In USD (10+ 11+ 12+ 13+ 14)	Overdraft / Overdraft	Mallia jo të qëndrueshëm / Nondurable goods	Mallia 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 proprietors; partnerships without legal status
	9	10	11	12	13	14	15
2015/12	1,466.2	103.9	133.3	160.0	798.8	270.2	182.9
2016/12	1,174.5	134.0	102.2	167.4	611.9	159.1	136.1
2017/12	1,595.9	1,016.7	74.9	103.4	342.7	58.1	38.1
2017/07	777.5	165.5	80.5	97.4	373.0	61.1	41.2
08	814.3	211.6	75.4	102.1	365.5	59.8	40.4
09	819.6	215.9	80.4	99.3	364.5	59.6	40.3
10	1,264.7	668.9	74.2	101.3	360.9	59.4	40.3
11	1,686.3	1,098.2	72.0	101.6	356.7	57.9	39.2
12	1,595.9	1,016.7	74.9	103.4	342.7	58.1	38.1

	Në euro / In EUR (17+ 18+ 19+ 20+ 21)				Hua për blerje banesash / Loans for house purchase		nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status		Hua në monedha të tjera / In other currencies	
	16	17	18	19	20	21	22	23	24	25
2015/12	70,578.5	1,992.4	1,699.4	4,417.0	58,888.4	3,581.3	802.6	326.1	326.1	326.1
2016/12	67,552.2	1,146.8	1,574.7	4,564.6	56,356.4	3,909.7	574.1	275.1	275.1	275.1
2017/12	67,039.9	993.7	1,854.3	4,539.5	55,819.6	3,832.8	608.7	214.9	214.9	214.9
2017/07	67,833.2	1,125.9	1,613.9	4,563.6	55,842.9	4,686.9	586.6	236.7	236.7	236.7
08	68,456.8	1,117.5	1,657.0	4,611.2	56,179.4	4,891.7	725.7	231.9	231.9	231.9
09	68,391.8	1,081.9	1,605.1	4,629.8	57,157.2	3,917.9	719.8	230.2	230.2	230.2
10	67,608.8	795.8	1,862.8	4,551.6	56,647.9	3,750.7	676.7	222.6	222.6	222.6
11	67,393.5	821.8	1,907.7	4,477.1	56,300.0	3,887.0	660.2	220.1	220.1	220.1
12	67,039.9	993.7	1,854.3	4,539.5	55,819.6	3,832.8	608.7	214.9	214.9	214.9

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

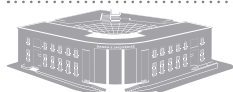
LOANS BY DISTRICTS* 1-15 In millions ALL, end of period

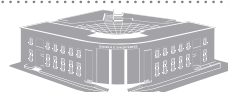
	Totali i kreditës / Total loans (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10)									
	1	2	3	4	5	6	7	8	9	10
		Tiranë / Tirana	Durrës / Durrës	Elbasan / Elbasan	Shkodër / Shkodra	Korçë / Korça	Vlorë / Vlorë	Fier / Fier	Lezhë / Lezha	Të tjerë / Other
2015/IV	545,106.0	401,551.2	37,405.3	15,647.9	11,417.2	7,357.5	12,619.8	13,283.5	6,524.4	39,299.3
2016/IV	543,454.3	398,447.6	38,702.4	14,846.5	11,097.3	7,589.7	12,362.0	13,753.0	6,178.6	40,477.3
2017/IV	547,154.1	406,412.0	37,159.1	14,280.8	11,308.1	8,228.5	11,869.5	12,027.4	5,838.9	40,029.9
2017/I	544,018.0	400,100.3	37,656.6	14,965.3	11,008.7	7,426.8	12,417.8	13,608.1	6,372.6	40,461.8
2017/II	538,854.7	396,031.8	36,250.5	14,290.6	11,491.0	7,772.7	12,685.4	13,407.8	6,561.0	40,363.8
2017/III	549,964.4	406,229.2	37,290.2	14,525.1	11,766.0	8,069.9	12,156.5	13,185.5	6,599.6	40,142.4
2017/IV	547,154.1	406,412.0	37,159.1	14,280.8	11,308.1	8,228.5	11,869.5	12,027.4	5,838.9	40,029.9

Burimi: Banka e Shqipërisë

*Të dhënat e huasë përfshijnë interesat e pëlllogaritur.

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 riblerëje 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
2004	1	2	3	4	5	6	7	8
29/04	3.25	—	6.25	—	8.75	—	12.25	—
12/05	3.00	-0.25	6.00	-0.25	8.50	-0.25	12.00	-0.25
24/06	2.75	-0.25	5.75	-0.25	8.25	-0.25	11.75	-0.25
28/07	2.50	-0.25	5.50	-0.25	8.00	-0.25	11.50	-0.25
04/11	2.25	-0.25	5.25	-0.25	7.75	-0.25	11.25	-0.25
2005	2.00	-0.25	5.00	-0.25	7.50	-0.25	11.00	-0.25
27/07	3.25	1.25	5.00	—	6.75	-0.75	11.00	—
2006	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
30/11	3.75	0.25	5.50	0.25	7.25	0.25	11.50	0.25
2007	4.00	0.25	5.75	0.25	7.50	0.25	11.75	0.25
27/09	4.25	0.25	6.00	0.25	7.75	0.25	12.00	0.25
30/11	4.50	0.25	6.25	0.25	8.00	0.25	12.25	0.25
2008	4.50	—	6.25	—	7.00	-1.00	12.25	—
28/01	4.50	—	6.25	—	7.00	—	12.25	—
29/01	4.00	-0.50	5.75	-0.50	6.50	-0.50	11.75	-0.50
28/10	3.50	-0.50	5.25	-0.50	6.00	-0.50	11.25	-0.50
2010	3.25	-0.25	5.00	-0.25	5.75	-0.25	11.00	-0.25
2011	3.25	—	5.00	—	6.75	1.00	11.00	—
03/01	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
24/03	3.25	-0.25	5.00	-0.25	6.75	-0.25	11.00	-0.25
30/09	3.00	-0.25	4.75	-0.25	6.50	-0.25	10.75	-0.25
01/12	2.75	-0.25	4.50	-0.25	6.25	-0.25	10.50	-0.25
26/01	2.50	-0.25	4.25	-0.25	6.00	-0.25	10.25	-0.25
29/03	2.50	—	4.25	—	6.00	—	8.25	-0.20
10/05	2.25	-0.25	4.00	-0.25	5.75	-0.25	8.00	-0.25
25/07	2.00	-0.25	3.75	-0.25	5.50	-0.25	7.75	-0.25
31/01	1.75	-0.25	3.50	-0.25	5.25	-0.25	7.50	-0.25
01/08	1.50	-0.25	3.25	-0.25	5.00	-0.25	7.25	-0.25
02/12	1.25	-0.25	3.00	-0.25	4.75	-0.25	7.00	-0.25
16/12	1.00	-0.25	2.75	-0.25	4.50	-0.25	6.75	-0.25
27/02	0.75	-0.25	2.50	-0.25	4.25	-0.25	6.50	-0.25
02/06	0.50	-0.25	2.25	-0.25	4.00	-0.25	6.25	-0.25
27/11	0.25	-0.25	2.00	-0.25	3.75	-0.25	6.00	-0.25
29/01	0.00	-0.25	1.75	-0.25	3.50	-0.25	5.75	-0.25
05/11	0.25	0.25	1.50	-0.25	2.75	-0.75	5.50	-0.25
06/04	0.25	—	1.25	-0.25	2.25	-0.50	5.25	-0.25
05/05	—	—	—	—	—	—	—	—

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 rregulorës "Për kredinë për mbështetje me likuiditet", instrumenti "Kredia Lombard" do të pasohet nga "Kredia për mbështetje me likuiditet".

* The table presents the change of key interest rates according to the monetary policy decisions on interest rates.

** Upon the entry into force of Decision No. 16, dated 13 March 2012, on the approval of the Regulation "On the liquidity supporting loan", the instrument "Lombard loan" will be followed by the "Liquidity supporting loan".

Source: Bank of Albania

1-17 NORMAT E INTERESIT PËR DEPOZITAT E REJA TË KORPORATAVE JO-FINANCIARE, INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE *

INTEREST RATES ON NEW DEPOSITS OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY * 1-17

Në përqindje

In percentage

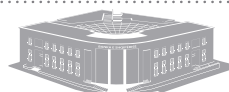
	Llogari rrjedhëse / Current accounts	Depozita pa afat / Demand deposits	Në lekë / In ALL					Në Euro / In EUR				
			1 mujore / 1 months	3 mujore / 3 months	6 mujore / 6 months	12 mujore / 12 months	24 mujore / 24 months					
2015	0.05	-	1.44	0.74	1.12	1.35	2.38					
2016	0.04	0.36	0.40	0.35	0.68	0.80	1.76					
2017	0.10	0.28	0.86	0.28	0.65	0.75	1.48					
2017/07	0.09	0.29	0.92	0.24	0.49	0.69	1.46					
08	0.09	0.27	0.75	0.26	0.81	0.56	1.45					
09	0.10	0.31	0.68	0.34	0.69	0.74	1.61					
10	0.10	0.22	0.77	0.30	0.54	0.81	1.49					
11	0.10	0.24	0.87	0.26	0.61	0.74	1.52					
12	0.09	0.34	0.82	0.29	0.56	0.80	1.63					
Në dollarë amerikanë / In USD												
2015	0.04	-	0.24	0.20	0.33	0.46	1.06					
2016	0.02	0.13	0.23	0.15	0.31	0.45	0.73					
2017	0.01	0.13	0.23	0.12	0.29	0.39	0.83					
2017/07	0.02	0.08	0.27	0.12	0.25	0.58	0.79					
08	0.02	0.08	0.25	0.09	0.19	0.17	0.36					
09	0.01	0.10	0.26	0.13	0.28	0.54	1.07					
10	0.02	0.17	0.25	0.14	0.22	0.52	1.27					
11	0.02	0.21	0.25	0.11	0.42	0.42	1.31					
12	0.01	0.18	0.23	0.12	0.43	0.68	1.00					
Në Euro / In EUR												
2015	0.05	-	0.16	0.13	0.22	0.35	0.77					
2016	0.04	0.11	0.09	0.06	0.12	0.19	0.56					
2017	0.04	0.07	0.13	0.05	0.09	0.15	0.44					
2017/07	0.04	0.06	0.19	0.05	0.07	0.13	0.37					
08	0.04	0.06	0.09	0.08	0.10	0.18	0.44					
09	0.04	0.05	0.05	0.05	0.09	0.17	0.43					
10	0.04	0.06	0.07	0.04	0.10	0.13	0.58					
11	0.04	0.05	0.04	0.04	0.07	0.12	0.41					
12	0.02	0.07	0.06	0.06	0.07	0.15	0.50					

Burimi: Banka e Shqipërisë

* Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

* Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.





1-18 NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATAVE JO-FINANCIARE, INDIVIDË DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE* 1-18 Në përqindje

INTEREST RATES ON NEW LOANS OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY* 1-18 In percentage

	Në lekë / In ALL			
	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
2015	8.91	7.77	9.24	8.83
2016	9.52	8.29	8.29	8.04
2017	8.18	5.98	7.77	7.64
2017/07	8.22	7.06	7.82	8.05
08	9.24	6.02	7.66	6.97
09	6.52	6.51	8.58	7.75
10	7.39	6.65	6.92	6.76
11	7.73	6.00	8.33	7.90
12	8.12	6.79	7.48	7.33
Në dollarë amerikanë / In USD				
2015	4.84	5.18	5.66	6.07
2016	4.89	5.43	6.25	7.07
2017	5.09	5.92	5.04	4.91
2017/07	4.25	5.68	5.33	5.74
08	7.67	5.77	8.91	-
09	8.95	5.97	-	4.95
10	4.21	3.98	4.91	-
11	7.14	4.83	-	4.74
12	4.90	4.05	5.30	4.88
Në Euro / In EUR				
2015	6.64	5.71	6.52	5.79
2016	6.09	4.75	4.83	5.09
2017	4.54	4.28	4.25	4.53
2017/07	3.99	3.81	3.72	4.19
08	4.70	4.27	4.17	4.45
09	4.11	4.10	4.12	4.82
10	4.19	4.36	4.55	4.06
11	4.17	4.24	4.80	4.16
12	4.15	3.79	4.11	4.30

Burimi: Banka e Shqipërisë

* NORMAT VJETORE PËRFAQSJOJNË NORMAT MESATRE TË PONDEJUARA VJETORE, ndërsa nORMAT MUJORE PËRFAQSJOJNË NORMAT MESATRE TË PONDEJUARA MUJORE.

* Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.

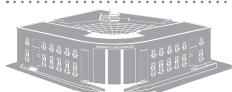
Source: Bank of Albania.

**1-18A NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATIVE JOFINANCIARE PRIVATE SIPAS INTEREST RATES ON NEW LOANS OF PRIVATE NON-FINANCIAL
QËLIMIT TË PËRDORIMIT DHE MONEDHËS ***
Në përqindje

	Norma e interesit e huave të reja për korporata joфинанциаре private / Average monthly interest rates of new loans to private non-financial corporations	Overdlat / Overdlat	Kapital qarkullues / Work- ing capital	Hua për celte biznesi / Loans for starting up a business	Blerje pajisjesh / Machineries and appliances	Pasuri të palqishme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments
				Në lekë / In ALL			
2015/12	8.17	8.30	7.22	7.99	9.98	6.98	—
2016/12	7.41	8.77	6.05	7.47	6.52	6.04	—
2017/12	7.26	7.07	7.94	—	6.34	5.81	3.00
2017/07	7.02	7.49	6.85	6.11	5.55	6.01	—
08	6.97	7.19	7.18	—	6.03	5.17	—
09	6.06	6.96	5.22	6.95	5.54	5.20	—
10	6.34	6.90	5.36	5.89	5.94	4.90	—
11	6.69	6.92	7.11	6.00	5.09	6.67	—
12	7.26	7.07	7.94	—	6.34	5.81	3.00
				Në dollarë amerikanë / In USD			
2015/12	5.51	4.94	6.99	2.50	7.20	6.75	—
2016/12	5.69	5.59	5.73	—	6.72	6.25	—
2017/12	4.82	4.75	7.08	—	4.40	5.31	—
2017/07	4.69	4.48	5.92	—	5.74	7.00	—
08	7.02	7.04	5.86	—	—	7.00	—
09	6.18	5.62	7.65	—	4.40	5.47	—
10	4.49	4.17	—	—	4.89	7.00	—
11	6.04	6.73	5.27	—	4.40	5.50	—
12	4.82	4.75	7.08	—	4.40	5.31	—
				Në Euro / In EUR			
2015/12	6.33	6.06	6.54	7.50	6.43	6.40	—
2016/12	5.00	4.86	5.96	5.21	4.81	4.90	—
2017/12	4.37	3.89	4.79	5.52	5.06	5.22	—
2017/07	4.04	3.88	3.34	5.50	4.27	4.73	—
08	4.51	4.46	4.62	5.50	4.38	4.67	—
09	3.88	3.73	3.60	5.50	3.88	4.12	—
10	4.42	4.36	4.68	5.50	4.56	4.25	—
11	4.24	4.11	4.40	5.50	4.35	4.25	—
12	4.37	3.89	4.79	5.52	5.06	5.22	—

Burimi: Banka e Shqipërisë

* Normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

Source: Bank of Albania.
* Monthly data present the monthly weighted average rate.

1-188 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 * 1-188
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	Overdat / Overdat	Mallra jo të qëndrueshëm / Consuming of non durable goods	Mallra të qëndrueshëm / Consuming of durable goods	Në lekë / In ALL		Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetëpunësuarit / of which: sole proprietors/partnerships without legal status
2015/12	8.63	14.15	9.05	9.61	5.07	9.08	8.05		
2016/12	7.30	11.05	8.29	8.21	3.84	8.26	7.34		
2017/12	6.78	11.79	7.69	7.60	3.82	7.83	7.87		
2017/07	7.47	11.26	8.01	7.53	3.85	8.39	7.52		
08	7.24	10.92	7.78	7.51	4.30	10.82	9.80		
09	7.16	11.09	7.85	7.73	4.05	10.46	10.04		
10	7.06	10.20	7.85	6.96	4.16	10.46	9.24		
11	7.02	11.60	7.91	7.58	3.77	8.68	8.46		
12	6.78	11.79	7.69	7.60	3.82	7.83	7.87		
2015/12	6.93	7.27	6.80	7.15	6.50	—	—		
2016/12	7.40	10.90	4.94	3.00	—	—	—		
2017/12	4.85	7.60	2.58	2.15	—	7.00	—		
2017/07	4.55	8.16	4.54	—	4.00	—	—		
08	6.68	9.17	4.37	5.00	—	—	—		
09	5.99	8.55	5.40	—	—	—	—		
10	6.95	7.19	—	3.12	—	—	—		
11	5.24	6.85	3.09	4.03	3.00	—	—		
12	4.85	7.60	2.58	2.15	—	7.00	—		
2015/12	5.34	6.07	6.00	5.99	4.59	5.73	—		
2016/12	3.50	5.71	4.21	4.22	2.98	4.58	5.04		
2017/12	3.73	6.79	3.09	4.64	2.99	5.10	6.30		
2017/07	3.73	5.71	3.83	4.75	3.08	5.86	6.00		
08	3.76	9.36	4.19	3.98	3.34	3.58	5.00		
09	3.76	9.01	3.94	3.96	3.02	6.93	3.50		
10	3.89	8.12	2.77	5.04	3.25	6.33	6.00		
11	3.94	8.05	3.30	3.98	3.09	6.11	6.00		
12	3.73	6.79	3.09	4.64	2.99	5.10	6.30		

Burimi: Banka e Shqipërisë

* NORMAT mujore përfaqësojnë normat mesatare të ponderuara mujore.

Source: Bank of Albania.
* Monthly data present the monthly weighted average rate.



1-19 NORMAT E INTERESIT PËR BONOT E THESARIT
SIPAS AFATIT *
Në përqindje

MATURITY BREAKDOWN OF TREASURY BILLS
YIELDS * 1-19
In percentage

	Normat e interesit për bonot e thesarit / Maturity breakdown of Treasury bill yields		
	3 mujor / 3 months	6 mujor / 6 months	12 mujor / 12 months
2009/12	6.30	7.52	9.14
2010/12	5.29	6.41	7.09
2011/12	5.31	6.23	6.95
2012/12	5.03	5.65	6.37
2013/12	3.40	3.54	3.66
2014/12	3.15	3.16	3.33
2015/01	3.23	3.23	3.50
02	3.19	3.23	3.58
03	3.11	3.25	3.59
04	3.00	3.14	3.50
05	2.90	3.11	3.42
06	2.79	3.04	3.29
07	2.71	2.97	3.24
08	2.66	2.90	3.22
09	2.61	2.87	3.21
10	2.57	2.82	3.18
11	–	2.82	2.97
12	–	2.46	2.40
2016/01	1.45	1.99	2.10
02	–	1.36	1.78
03	–	1.26	1.63
04	0.90	1.15	1.52
05	–	0.99	1.35
06	–	0.95	1.28
07	0.88	0.94	1.29
08	–	0.86	1.46
09	–	0.90	1.60
10	1.22	0.90	1.94
11	–	1.57	2.47
12	–	2.00	2.92
2017/01	1.22	2.25	3.20
02	–	2.01	2.93
03	–	1.70	2.25
04	–	1.52	1.79
05	–	1.54	1.98
06	–	–	2.04
07	–	1.54	2.12
08	–	1.65	2.20
09	–	–	2.31
10	–	1.82	2.46
11	–	2.04	2.54
12	–	–	2.63

Burimi: Banka e Shqipërisë

* Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania.

* Weighted average interest rates.



1-20 SISTEMI I PAGESAVE NDËRBANKARE

INTERBANK PAYMENT SYSTEM 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				
2015	123,578	466,708	6,329,598	84,405
2016	122,550	508,935	7,676,910	90,137
2017	125,641	553,433	8,472,615	97,779
Flukse mujore / Monthly flows				
2017/07	10,192	46,214	639,639	8,301
08	11,154	43,366	700,269	8,079
09	10,367	43,607	635,363	7,894
10	10,648	48,877	651,182	8,422
11	9,612	46,336	755,969	8,017
12	11,910	65,669	714,776	11,318

1-21 SHPËRNDARJA RAJONALE E TERMINALEVE TË ATM & POS

NUMBER OF ATM & POS TERMINALS BY REGION

Fund periudhe

1-21
End of period

	Shpërndarja rajonale e ATM / Number of ATM by regions						
	Total (2+ 3+ 4+ 5+ 6+ 7)	Tirana	Shkodra	Korça	Gjirokastra	Elbasani	Lushnja
	1	2	3	4	5	6	7
2015	826	469	93	54	53	44	113
2016	800	472	78	68	45	36	101
2017	747	456	75	59	42	32	83
Shpërndarja rajonale e terminaleve POS / Number of POS terminals by regions							
2015	6,689	5,331	320	146	211	222	459
2016	7,111	5,823	343	180	241	164	360
2017	7,294	6,269	320	138	173	137	257

1-22 NUMRI I LLOGARIVE TË KLIENTËVE NË BANKA

NUMBER OF CUSTOMERS ACCOUNTS
WITH BANKS 1-22

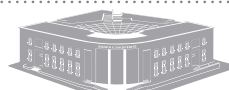
Fund periudhe

End of period

	Llogaritë totale / Total accounts (2+5)	Llogari rezidente / Resident accounts	Individë / Individuals (3+4)	Kompani / Companies	Llogari jo rezidente / Non resident accounts (6+7)	Individë / Individuals	Kompani / Companies
	1	2	3	4	5	6	7
2015	3,307,663	3,287,990	3,094,995	192,995	19,673	18,347	1,326
2016	3,477,985	3,449,267	3,238,440	210,827	28,718	26,154	2,564
2017	3,141,739	3,109,886	2,922,314	187,572	31,853	30,045	1,808

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



2 SEKTORI I JASHTËM
2-1 BILANCI I PAGESAVE 1
Në milionë euro

EXTERNAL SECTOR 2
BALANCE OF PAYMENTS 1 2-1
In millions EUR

	1	2	3	4	5	6	7	Të ardhura primare / Primary income (9-10)	Kredi / Credit	Debi / Debit	Të ardhura dytësore / Sec- ondary income (12-13)	Kredi / Credit	Debi / Debit	14
	Ilogjaria korrente / Current account (2+ 3+ 8+ 11)	Mallrat / Goods (3-4)	Kredi / Credit	Debi / Debit	Shërbimet / Services (6-7)	Kredi / Credit	Debi / Debit							Ilogjaria kapitale / Capital account
2014	-1076.3	-2215.6	931.7	3147.3	323.2	1881.4	1558.2	91.5	336.5	245.0	724.6	851.7	127.1	86.7
2015	-883.6	-2298.9	771.1	3070.1	524.7	2028.0	1503.3	122.2	375.7	253.5	768.4	921.5	153.1	125.7
2016	-811.7	-2602.8	713.7	3316.5	796.6	2395.7	1599.1	174.1	408.7	234.6	820.5	961.2	140.7	66.2
2016/IV	-177.6	-666.5	221.3	887.8	229.6	635.6	406.0	34.9	105.5	70.6	224.4	255.4	31.0	49.4
2017/I	-150.4	-587.1	181.3	768.4	275.4	591.9	316.5	-7.6	79.6	87.2	169.0	198.3	29.3	23.8
2017/II	-236.3	-695.3	216.4	911.7	209.1	677.8	468.6	36.4	122.9	86.5	213.4	242.2	28.7	25.3
2017/III	-133.1	-753.8	183.8	937.6	380.1	926.3	546.1	28.4	94.4	65.9	212.2	236.7	24.5	30.4

	15	16	17	18	19	20	21	22	23	24	25	26	27	28
	Ilogjaria financiare / Financial account (16+ 19+ 22-28)	Investimet direkte / Direct investment (17-18)	Mjete / Assets	Detyrime / Liabilities	Investime portfoli / Portfolio investment (20-21)	Mjete / Assets	Detyrime / Liabilities	Investime të tjera** / Other investment** (23-24)	Mjete / Assets	Detyrime** / Liabilities**	Gabime dhe harrresa neto / Net errors and omissions	Mjete e rezervës dhe të lidhura me to / Reserve assets and related items (27-28)	Mjete e rezervës / Reserve assets	Kredi dhe hua nga FVNI / Credit and loans from the IMF
2014	-1031.7	-811.5	57.7	869.2	122.1	130.2	8.1	-295.8	-35.3	260.5	55.1	50.7	97.2	46.5
2015	-1225.3	-818.4	71.9	890.4	-230.1	-180.6	49.5	-86.8	216.2	303.0	142.2	519.6	609.5	89.9
2016	-664.2	-936.5	6.1	942.5	225.2	206.5	-18.8	187.4	201.5	14.0	128.9	-92.8	47.7	140.4
2016/IV	-272.7	-256.7	-20.3	236.4	114.1	113.1	-1.0	-130.2	-189.7	-59.5	8.9	153.4	153.3	-0.2
2017 / I	-299.3	-201.3	-22.3	178.9	-137.5	-150.0	-12.5	111.1	165.7	54.6	-164.1	-63.1	8.6	71.7
2017 / II	-121.9	-217.6	-18.6	198.9	-21.6	-13.3	8.3	117.1	96.1	-21.0	13.0	-76.1	-76.2	-0.2
2017 / III	-224.4	-305.7	-7.0	298.8	31.2	32.4	1.1	49.2	82.1	32.9	-84.2	38.5	37.6	-0.9

Burimi: Banka e Shqipërisë.

* Në kategorinë 22 përfshihen edhe derivatit financiarë.

** Nuk përfshihen zëri 28.

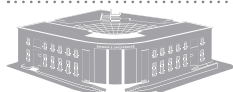
1) Janë rishikuar të dhënat nga viti 2013-2016 dhe tremujori i parë 2017.

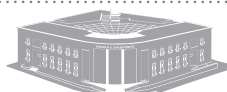
Source: Bank of Albania.

* Other investment (22) include financial derivatives.

** Excluding Credit and Loans from the IMF 28.

1) Data are revised for the period 2013-2016 and the first quarter 2017.





2-2 KURSET E KËMBIMIT TË LEKUT KUNDREJT MONEDHAVE KRYESORE

Lekë për njësi të monedhës së huaj

EXCHANGE RATE 2-2

ALL per unit of foreign currencies

Monedhat kryesore / Main foreign currencies	Mesataria e periudhës / Average of period						Fundi i periudhës / End of period					
	Dollari amerikan / US dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik / British pound sterling (GBP)	Franga zvicerane / Swiss franc (CHF)	Jeni japonez / Japanese yen (per 100 JPY)	Dollari Kanadez / Canadian dollar (CAD)	Dollari amerikan / US Dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik / British pound sterling (GBP)	Franga zvicerane / Swiss franc (CHF)	Jeni japonez / Japanese yen (per 100 JPY)	Dollari Kanadez / Canadian dollar (CAD)
2015	125.96	139.74	192.54	131.09	104.12	98.72	125.79	137.28	186.59	126.74	104.50	90.53
2016	124.14	137.36	168.17	126.02	114.41	93.68	128.17	135.23	157.56	126.05	109.75	95.09
2017	119.10	134.15	153.20	120.91	106.18	91.74	111.10	132.95	149.95	113.94	98.74	88.64
2017/07	115.24	132.57	149.65	119.95	102.44	90.58	113.39	132.98	148.51	116.86	102.57	90.92
08	112.23	132.53	145.54	116.30	102.16	89.03	112.29	133.50	144.73	116.46	101.55	88.92
09	112.10	133.55	149.29	116.47	101.26	91.32	113.37	133.70	151.45	116.70	100.79	91.23
10	113.74	133.66	150.15	115.83	100.70	90.34	114.71	133.42	151.62	114.82	101.21	89.31
11	114.01	133.49	150.46	114.80	100.84	89.33	112.97	133.64	151.99	114.67	100.53	87.57
12	112.56	133.25	150.81	114.04	99.71	88.20	111.10	132.95	149.95	113.94	98.74	88.64

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

2-3 EKSPORTI SIPAS GRUP MALLRAVE*

Në milionë lekë

EXPORT BY COMMODITY GROUPS* 2-3

In millions ALL

	Gjithësi / Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan / Food, beverages, tobacco	Minerale, 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	Prodhime druri dhe letre / Wood manufactures and articles of paper	Tekstile dhe këpucë / Textile and footwear	Materiale ndërtimi dhe metale / Construction materials and metals	Makinëri, pajisje dhe pjesë këmbimi / Machines, equipments and spare parts	Të tjera / Others
		1	2	3	4	5	6	7	8	9
2015	243,183.0	21,066.3	64,505.1	3,961.3	2,897.3	8,336.4	90,091.0	35,279.5	10,789.0	6,256.9
2016	243,496.9	25,347.0	46,562.9	4,358.0	2,596.5	7,764.2	106,607.7	31,890.8	11,272.3	7,097.5
2017	272,979.6	30,080.5	43,087.9	4,730.2	2,966.0	8,308.6	117,381.9	43,802.4	15,078.9	7,543.3
2017/07	24,736.8	2,529.8	3,094.6	398.2	320.3	750.3	11,920.4	3,633.7	1,328.4	761.3
08	18,454.0	2,029.5	3,331.5	466.3	129.8	507.6	7,179.6	3,345.7	890.7	573.4
09	24,076.2	2,196.7	3,528.2	441.7	265.9	822.0	10,670.9	3,866.6	1,630.6	653.7
10	24,821.9	3,640.4	3,313.4	389.1	248.7	816.0	10,158.8	4,151.7	1,428.2	675.6
11	25,406.4	3,484.5	3,768.1	438.0	222.8	866.3	10,249.6	4,047.3	1,633.1	696.8
12	21,985.2	2,561.8	3,165.0	322.7	267.2	838.5	9,316.5	3,690.6	1,192.9	629.9

Burimi: INSTAT.

* Eksportet janë në vlerën F.O.B.
Të dhënat vjetore sipas Tables "Tregtia e jashtme sipas produkteve (2013-2017)", në faqen e internetit të INSTAT.
Të dhënat mujore sipas "Database Statistikore" tabela "Import / Export sipas grupmallrave 2005-01 - 2017-12", në faqen e internetit të INSTAT.
Monthly data as of "Statistical Database", table "Import / Export by group of commodities 2005-01 - 2017-12", INSTAT web page on 12.03.2018.

Source: INSTAT.
* Exports are valued in F.O.B.
Annual data as of table "Foreign trade according to the products (2013-2017)", INSTAT web page.
Monthly data as of "Statistical Database", table "Import / Export by group of commodities 2005-01 - 2017-12", INSTAT web page on 12.03.2018.

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	Mineralë, lëndë djegëse, ener. elek. / Minerals, fuels, electricity	Produkte kimike dhe plastike / Chemical and plastic products	Lëkurë dhe artikuj prej lëkure / Leather and other leather manufactures	Prodime druri dhe leire / Wood manufactures and articles of paper	Tekstile dhe këpucë / Textile and footwear	Materiale ndërtimi dhe metale / Construction materials and metals	Makinëri, pajisje dhe pjesë këmbimi / Machines, equipments and spare parts	Të tjera / Others
	1	2	3	4	5	6	7	8	9	10
2015	544,616.2	96,896.6	60,164.5	74,925.9	15,915.7	21,736.1	69,299.6	67,540.8	117,291.0	20,846.0
2016	579,247.8	100,364.9	49,841.6	80,008.0	17,378.4	23,356.7	79,970.8	76,002.0	130,953.5	21,372.0
2017	626,170.5	106,737.8	65,962.6	86,887.2	18,982.8	23,689.5	87,118.9	76,620.5	134,058.9	26,112.3
2017/07	54,885.1	9,506.3	4,603.5	7,609.2	1,889.2	2,335.3	7,509.2	6,981.2	12,206.8	2,244.5
08	49,386.5	10,257.3	7,364.7	6,445.8	917.5	1,830.2	4,833.8	5,642.2	10,371.0	1,724.0
09	53,380.8	8,675.2	7,430.0	6,977.3	1,363.2	2,282.3	7,326.6	6,199.6	11,392.6	1,733.9
10	57,547.9	8,753.1	7,170.5	7,551.2	1,723.5	2,093.9	8,636.5	7,021.8	12,265.5	2,331.9
11	54,660.6	8,968.5	5,604.5	7,133.2	1,797.9	2,217.1	8,324.7	6,516.2	11,304.9	2,793.5
12	60,804.6	9,719.4	8,566.4	7,757.1	1,669.7	1,923.3	7,716.6	5,598.4	14,383.5	3,470.3

Burimi: INSTAT.

* Importet janë në vlerën C.I.F.

Të dhënat vjetore sipas Tables "Tregtia e jashtme sipas produkteve (2013-2017)" në faqen e internetit të INSTAT.

Të dhënat mujore sipas "Database Statistike" tabela "Import / Export sipas grupmallave 2005-01 - 2017-12" në faqen e internetit të INSTAT, datë 12.03.2018.

Source: INSTAT.

* Imports are valued in C.I.F.

Annual data as of table "Foreign trade according to the products (2013-2017), INSTAT web page.

Monthly data as of "Statistical Database", table "Import / Export by group of commodities 2005-01 - 2017-12", INSTAT web page on 12.03.2018.

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+8+11+14)	Qeveria e përgjithshme / General Government (3+4)	Banka Qendrore / Central Bank (6+7)		Korporatat Depozituese, me përjashtim të Bankës Qendrore / Depositing corporations, except Central Bank (9+10)		Sektore të tjerë / Other sectors (12+13)		Investimi Direkt: Huatë Ndërkombëtare / Direct Investment: Intercompany Lending				
			Afatshtkurët / Shortterm	Afatsgjatë / Longterm	Afatshtkurët / Shortterm	Afatsgjatë / Longterm	Afatshtkurët / Shortterm	Afatsgjatë / Longterm					
2014	6,927.5	2,647.6	-	2,647.6	76.7	7	8	9	10	11	12	13	14
2015*	7,634.3	3,260.4	-	3,260.4	76.7	-	1,250.7	1,101.5	149.2	1,325.4	335.8	989.6	1,627.0
2016*	7,881.5	3,401.0	-	3,260.4	75.8	-	1,281.5	1,126.8	154.7	1,275.7	328.3	947.4	1,741.0
2016/IV	7,881.5	3,401.0	-	3,401.0	63.3	-	1,349.9	1,220.3	129.6	1,276.9	340.5	936.4	1,790.5
2017/I	7,977.2	3,477.6	-	3,401.0	63.3	-	1,349.9	1,220.3	129.6	1,276.9	340.5	936.4	1,790.5
2017/II	7,854.7	3,399.3	-	3,477.6	62.1	-	1,362.6	1,237.9	124.7	1,305.6	364.3	941.3	1,769.3
2017/III	7,833.4	3,429.4	-	3,399.3	59.4	-	1,355.9	1,230.9	125.0	1,292.5	371.4	921.1	1,747.7
2017/IV	7,833.4	3,429.4	-	3,429.4	57.4	-	1,362.1	1,237.7	124.4	1,256.4	351.4	905.1	1,728.1

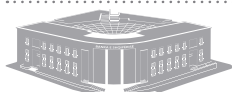
Burimi: Banka e Shqipërisë.

Për detaje referohuni tek "Shpjegues për ndryshimet në statistikat e sektorit të jashtëm sipas BPM's (Qershor 2014)".

* Janë rishikuar të dhënat për vitin 2015 dhe 2016.

For details refer to: "Commentary for changes in the publication of external sector statistics according to BPM6 (June 2014)".

* Data are revised for the year 2015 and 2016.





3 SEKTORI FISKAL

3-1 TREGUESIT FISKALË SIPAS BUXHETIT TË KONSOLIDUAR*

Në milionë lekë, fund periudhë, të dhëna progresive

FISCAL SECTOR 3

FISCAL INDICATORS REGARDING CONSOLIDATED BUDGET* 3-1

In millions ALL, end of period, progressive data

	Totali i të ardhurave / Total revenue (2+3+4)		Të ardhura nga ndihmat / Grants		Të ardhura tatimore / Tax revenue		Të ardhura jo tatimore / Non tax revenue		Totali i shpenzimeve / Total expenditure (5+7+8)		Shpenzimet korrente / Current expenditures		Shpenzimet kapitale / Capital expenditures		Shpenzime të tjera / Other expenditure**		Deficiti / Cash balance		Financimi i brendshëm / Domestic financing		Financimi i huaj / Foreign financing	
	1	2	3	4	5	6	7	8	9	10	11											
2015	379,206	11,215	342,308	25,683	437,408	350,752	63,059	23,597.0	-58,202	-6,403	64,605											
2016	407,021	14,639	369,884	22,498	433,697	368,720	59,478	5,499.0	-26,676	9,176	17,500											
2017	430,397	11,085	398,629	20,683	461,410	382,287	68,455	10,667.3	-31,012	1,899	29,113											
2017/07	248,610	4,087	230,753	13,769	247,392	213,420	30,796	3,175.8	1,218	-7,720	6,502											
08	284,875	5,051	264,724	15,101	284,982	245,871	35,126	3,985.0	-107	7,266	7,373											
09	320,071	5,607	298,042	16,422	322,603	276,639	41,336	4,627.6	-2,531	-14,675	17,206											
10	356,375	7,096	331,392	17,887	359,883	308,556	46,511	4,815.5	-3,508	-23,161	26,669											
11	390,445	8,384	362,857	19,204	399,478	341,409	51,365	6,703.9	-9,033	-20,089	29,123											
12	430,397	11,085	398,629	20,683	461,410	382,287	68,455	10,667.3	-31,012	1,899	29,113											

Burimi: Ministria e Financave dhe Ekonomisë

* Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave dhe Ekonomisë në datën 05.03.2018:

Raportime / Programimi ekonomik-fiskal / Raporte dhe statistika fiskale mujore / Statistika fiskale mujore:

Publikimi "Statistika fiskale Janar - Dhjetor 2017" tabelat:

"Treguesit fiskalë sipas buxhetit të konsoliduar 2017 (Progresiv për çdo muaj)

Treguesit fiskalë sipas buxhetit të konsoliduar (Vjetor) në miliard Lek

Shënimet:

** Në kolumnën "Shpenzime të tjera" janë përfshirë zërat:

Fondi Rezervë, Kontingjenca / Detyrimet e Propambetura / Transferta të Tjera / Fondi Shpionësimi / Huadhënie nelo-Janar - Dhjetor 2017

Source: Ministry of Finance and Economy

* Data as of Ministry of Finance and Economy web page publications on 05.03.2018:

Reports / Economic fiscal program / Monthly reports and fiscal statistics / Monthly fiscal statistics:

Publication "Fiscal indicators January - December 2017" tables:

"Consolidated general budget 2017 (cumulative each month)"

"Consolidated general budget (Annual)" in billion lek

Notes:

** In the column "Other expenses" are included voices:

Reserve Fund, Contingency / Arrears / Other Transfers / Expropriation Fund / Net lending-January - December 2017

3-2 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE¹

Në milionë lekë, fund periudhë, të dhëna progresive

DOMESTIC DEBT STOCK BY INSTRUMENTS¹ 3-2

In millions ALL, end of period, progressive data

	Stoku i borxhit të brendshëm / Domestic debt stock (2+ 9)	Borxhi i Qeverisë Qendrore / Budgetary Central Government Debt (3+ 4+ 5+ 6+ 7+ 8)		Bona Thesari / Treasury bills		Obligacione dy vjeçare / 2 years Note		Obligacione tre vjeçare / 3 years Note		Obligacione pesë vjeçare / 5 years Note		Obligacione shtatë vjeçare / 7 years Note		Obligacione dhjetë vjeçare / 10 years Note		Borxhi i garantuar / Publicly guaranteed debt	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2015	551,374		520,935	223,824	80,983	36,677	90,851	54,927	33,673							30,439	
2016	561,120		530,834	209,409	83,674	28,920	98,428	63,232	47,173							30,286	
2017	577,056		546,939	195,047	95,474	24,673	103,120	71,669	56,956							30,117	
2017/I	572,446		542,094	210,645	89,734	27,787	98,460	65,732	49,736							30,352	
2017/II	574,845		544,755	201,234	91,387	29,217	99,627	69,553	53,736							30,090	
2017/III	574,544		544,371	201,454	88,954	26,673	100,627	71,053	55,610							30,172	
2017/IV	577,056		546,939	195,047	95,474	24,673	103,120	71,669	56,956							30,117	

Burimi: Ministria e Financave dhe Ekonomisë

Të dhënat janë sipas informacionit të publikuar në faqen e internetit të MFE në 05.03.2018

Raportime / Borxhi / Treguesit e borxhit:

-Treguesit e borxhit 3 mujori në 2017

-Treguesit e borxhit 6 mujori në 2017

-Buletini statistikor i borxhit; shtator 30, 2017

-Buletini statistikor i borxhit; dhjetor 31, 2017

Shtëpitë:

1) Nuk përfshihen nvlërsimi i valutës dhe garancitë e brendshme

2) Borxhi i brendshëm i Qeverisë Qendrore Buxhetore përfshihet vetëm leira me vlerë të borxhit dhe nuk ka kredi të marra në tregun e brendshëm

3) Borxhi i brendshëm i garantuar është afatshkurtyr

Source: Ministry of Finance and Economy

Data are as of MoFE web page information on 05.03.2018

Raports / Debt / Debt Indicators:

-Debt Indicators as of March 31, 2017

-Debt Indicators as of June 30, 2017

-Debt Statistical Bulletin; September 30, 2017

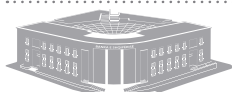
-Debt Statistical Bulletin; December 31, 2017

Notes:

1) Foreign Exchange Reserve Evaluation and domestic guarantees are not included

2) Budgetary Central Government Domestic debt stated in this table comprises only of debt securities and there are no loan instruments domestically contracted.

3) Domestic guaranteed debt is short term



4 SEKTORI REAL

4-1 PRODIMI I BRENDSHËM BRUTO SIPAS KLASIFIKIMIT TË AKTIVITETIT EKONOMIK, (METODA E PRODIMIT NVE REV 2)

2012 - 2015, me çmime korrente, në milionë lekë

GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITIES, (PRODUCTION METHOD NACE REV 2) 4-1

2012 - 2015 at current prices, In millions ALL

Kodi Code	Nace Rev.2	Aktiviteti ekonomik	Vitet / Years				Economic activities
			2012	2013	2014*	2015**	
A1	01-03	Bujqësia, pyjet dhe peshkimi	250,126	264,140	278,924	286,458	Agriculture, forestry and fishing
A2	05-09	Industria nxjerrëse	60,195	66,516	69,784	46,707	Mining and quarrying
A3	10-33	Industria përpunuese	61,502	68,310	74,311	81,205	Manufacturing
A4	35	Energjia elektrike, gazit, ujit dhe furnizimi me ajër të kondicionuar	22,298	27,795	25,850	36,853	Electricity, gas, steam and air conditioning supply
A5	36-39	Furnizimi me ujë, aktivitetet e trajtimit dhe menaxhimit të mbeturinave, mbeljeve	9,673	9,841	10,001	10,036	Water supply, sewerage, waste management and remediation activities
A6	41-43	Ndërtimi	151,793	138,878	120,168	128,228	Construction
A7	45-47	Tregtia me shumicë dhe me pakicë; riparimi i automjeteve dhe motorcikleve	143,570	147,932	154,867	156,716	Wholesale and retail trade; repair of motor vehicles and motorcycles
A8	49-53	Transporti dhe magazinimi	56,169	42,569	41,915	43,884	Transportation and storage
A9	55-56	Akomodimi dhe shërbimi ushqimor	24,533	23,214	24,432	26,044	Accommodation and food service activities
A10	58-63	Informacioni dhe komunikacioni	41,735	37,807	39,015	40,907	Information and communication
A11	64-66	Aktivitetet financiare dhe të sigurimit	32,133	30,359	35,160	38,975	Financial and insurance activities
A12	68	Aktivitetet të pasurive të paluajtshme	79,883	85,843	85,701	85,548	Real estate activities
A13	69-75	Aktivitetet profesionale, shkencore dhe teknike	28,268	29,453	35,977	38,496	Professional, scientific and technical activities
A14	77-82	Shërbime administrative dhe mbështetëse	23,578	29,000	35,064	40,185	Administrative and support service activities
A15	84	Administrim publik dhe mbrojtja; sigurimi social i detyrueshëm	53,716	54,086	57,149	59,266	Public administration and defence; compulsory social security
A16	85	Asimimi	57,694	60,873	59,788	61,126	Education
A17	86-88	Shëndetësia dhe aktivitetet të punës sociale	33,255	34,984	37,563	38,042	Human health and social work activities
A18	90-93	Artë, argëtim dhe lojë	11,809	11,331	16,636	16,689	Arts, entertainment and recreation
A19	94-98	Aktivitetet të tjera shërbimi;	12,818	14,767	15,537	17,854	Other service activities
		Vlera e Shuar Bruto me çmime bazë	1,154,747	1,177,698	1,217,843	1,253,219	GVA at basic prices
		Taksa neto mbi produktet	178,064	172,354	177,461	174,580	Net taxes on products
		PBB ME ÇMIMET E TREGUT	1,332,811	1,350,053	1,395,305	1,427,799	GDP at market prices

Burimi: INSTAT.

Të dhënat janë sipas tabelave në faqen e internetit të INSTAT në datën 05.03.2018.

- Databaza Statistikore / Ilogaritë Kombëtare / Treguesit Vjetorë / PBB sipas metodës së prodhimit / Treguesit sipas aktivitetit ekonomik, 1996 - 2015

- Ilogaritë Kombëtare Vjetore (Metoda e prodhimit). Rezultatet sipas klasifikimit NVE Rev2, në nivel A 19 (INSTAT).

Shënime:

* 2014 Finale

** 2015 Gjysëfinale

Source: INSTAT.

Data as of INSTAT web page tables on 05.03.2018.

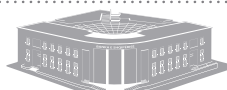
- Statistical Database / National Account / Yearly indicators / GDP by production approach / Indicators by economic activities 1996 - 2015

- Annual National Accounts (Production Approach). Results as of NACE Rev 2 classification, at A 19 level (INSTAT).

Notes:

* 2014 Final data

** 2015 Semi-final data.



4-2 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM (PËR BANESAT)

Indeks

	ICP Indeks Total / PPI Total Index 2010=100	Indekset e çmimeve të prodhimit duke përfshirë ndërtimin* / Producer price index, excluding construction*		Indeksi i kushtimit në ndërtim (për banesat) / Construction cost index (for dwellings)	Indeksi i kushtimit në ndërtim (për banesat) ² / Construction cost index T1 / 2011=100	Ndryshimet vjetore të indeksit të kushtimit në ndërtim (për banesat) / Annual changes of the construction cost index (for dwellings) ³	Index
		Industria nxjerrëse / Mining and quarrying	Industria përpunuese / Manufacturing	Energjia elektrike, gaz, avull dhe ajër i kondicionuar / Electricity, gas, steam and air conditioning			
2015	100.7	91.6	104.7	99.4	103.3	6	7
2016	99.3	90.5	103.9	99.0	99.1	102.3	0.31
2017	101.9	103.6	105.8	99.0	99.5	102.3	0.03
2017/I	102.3	106.4	105.9	99.1	98.7	103.0	0.70
2017/II	101.1	99.9	105.5	99.0	99.5	102.9	0.94
2017/III	101.1	100.0	105.5	99.0	99.7	103.0	0.76
2017/IV	102.8	108.3	106.1	99.0	100.3	103.1	0.51
2017/V	102.8	108.3	106.1	99.0	100.3	103.2	0.44

* Indeksi i Çmimeve të Prodhimit, llogaritur nga INSTAT, është mbështetur në Nomenklaturën e Aktiviteteve Ekonomike, NVE Rev 2, me periudhë referuese 2010=100

Të dhënat tregjore të ICP sipas publikimit "Indeksi i Çmimeve të Prodhimit", INSTAT.

INSTAT publikon Indeksin e çmimeve të prodhimit (ICP) mbështetur në NVE Rev 2. ICP është indeksi me periudhë bazë vitin 2010 (2010=100). Metoda e llogaritjes së indeksit është metoda zinxhir. (INSTAT).

1) Të dhënat vjetore të ICP përfshijnë indekse mesatare vjetore.

2) Duke filluar nga T1 2011, INSTAT llogarit IKN (për banesat) me sipërfaqen e re të materialeve dhe shpenzimeve dhe me periudhë bazë T1 2011=100.

3) Ndryshimi për të dhënat vjetore përfshijon ndryshimin e çmimit të indeksave mesatare vjetore të vitit korrent me vitin e mëparshëm, ndërsa ndryshimi vjetor për të dhënat tregjore të indeksit mat ndryshimin e çmimit të tremujorit korrent me tremujorin e njëjtë të vitit të mëparshëm.

* Production Price Index by INSTAT, is based on the Nomenclature of Economic Activities, NACE Rev 2, with the reference period 2010=102

- Quarterly data of PPI according to "Producer Price Index" publication, INSTAT.

- INSTAT publishes the Producer Price Index (PPI), based on the NACE Rev. 2. PPI base year index is the year 2010 (2010=100). Calculation's method used in compiling of this index is chain - index. (INSTAT).

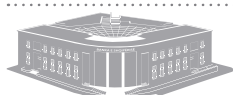
1) PPI annual data represent yearly average indexes.

2) Starting from Q1 2011, INSTAT calculates CCI (for dwellings) referring to the new basket of materials and expenditures, with base period Q1 2011=100.

3) Annual data change represents price changes of annual average indexes of the current year with the previous one, while the annual change for quarterly data measures the price changes of the current quarter with the same quarter of the previous year.

PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX 4-2 (FOR DWELLINGS)

Index



4-3 INDEKSI I ÇMIMEVE TË KONSUMIT

CONSUMER PRICE INDEX 4-3

	IÇK ¹ : Totali dhjetor 2015=100 / CPI ¹ : Total December 2015=100												Mallra dhe shërbime të ndryshme / Goods and various services
	1	2	3	4	5	6	7	8	9	10	11	12	13
2015	100.04	100.02	99.12	100.15	100.57	99.49	101.05	101.06	100.61	99.52	96.67	99.34	100.15
2016	101.32	103.27	100.94	99.07	100.62	100.23	100.10	98.14	100.18	100.91	100.16	100.04	101.18
2017	103.33	107.31	101.63	97.98	101.62	99.81	100.15	100.04	100.46	102.40	100.86	100.16	103.37
2017/07	102.27	105.14	101.64	96.36	101.36	99.44	100.09	99.73	100.48	100.58	100.70	100.07	103.42
08	102.69	106.18	101.60	96.01	101.38	99.51	100.04	100.21	100.48	100.31	100.70	100.09	103.40
09	103.06	106.66	101.56	98.29	101.52	99.42	99.98	100.31	100.44	102.48	100.92	100.11	103.41
10	103.10	106.51	101.52	99.90	101.60	99.48	99.97	100.02	100.43	103.35	101.26	100.12	103.40
11	102.95	105.68	101.73	100.23	102.02	99.70	100.39	101.30	100.66	101.79	101.26	100.17	103.38
12	104.01	107.53	101.83	101.51	103.07	100.20	100.28	101.23	100.85	102.25	101.33	100.57	103.50

	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore 2 (në %) / Year on year consumer price index, main groups (in %)													Inflacioni mesatar vjetor ² / Annual average inflation ³
	IÇK Totali / CPI total													
		Ushqime dhe pije joalkoolike / Food and nonalcoholic beverages	Pije alkoolike dhe duhan / Alcoholic beverages and tobacco	Veshje dhe këpucë / Clothing and footwear	Qira, ujë lëndë dhe energji / Rent, water, fuel and power	Mobilim, pajisje shpëtim dhe mirëmbajtje / Furniture household and maintenance	Shëndeti / Medical care	Transporti / Transport	Komunikimi / Communication	Argëtim dhe kulturë / Recreation and culture	Shërbimi arsimor / Education service	Hotele, kafene dhe restorante / Hotels, coffee-house and restaurants	Mallra dhe shërbime të ndryshme / Goods and various services	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2015	1.96	5.09	3.28	-3.23	-1.96	0.58	-0.93	-0.64	-1.05	1.13	4.79	1.06	-0.24	1.90
2016	2.18	4.57	1.31	0.91	0.89	0.19	0.18	-0.81	0.62	2.33	0.70	0.05	3.28	1.28
2017	1.80	2.83	0.51	0.59	2.15	0.01	0.09	2.05	0.23	-0.08	0.63	0.51	0.22	1.99
2017/07	2.02	4.67	0.68	-1.75	1.07	-1.05	-0.05	0.37	0.58	-1.09	0.67	0.01	3.38	2.05
08	1.57	3.30	0.70	-2.14	1.14	-0.94	0.05	0.44	0.61	-1.09	0.67	0.03	3.00	2.02
09	1.58	3.48	0.63	-1.61	1.08	-0.83	-0.16	0.84	-0.07	0.75	1.04	0.05	0.14	2.00
10	1.87	4.02	0.40	-0.43	1.10	-0.15	0.01	0.42	-0.05	2.13	0.87	0.02	0.25	2.03
11	1.68	3.74	0.87	-0.39	0.56	-0.50	0.15	1.85	-0.01	0.85	0.54	0.16	0.30	2.02
12	1.80	2.83	0.51	0.59	2.15	0.01	0.09	2.05	0.23	-0.08	0.63	0.51	0.22	1.99

Burimi: INSTAT.

1) Të dhënat vjetore të Indeksit të Çmimeve të Konsumit janë indekse mesatare vjetore të konsumit sipas grupeve kryesore, ndërsa të dhënat mujore pasqyrojnë indeksin e çmimeve të konsumit.

2) Të dhënat vjetore matin variacionin e indekseve të muajit dhjetor të vitit n-1, ndërsa të dhënat mujore matin ndryshimet vjetore të indekseve, në përqindje.

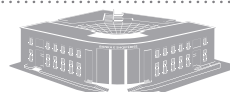
3) Eshitë mesatarja aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (logaritme e B.Sh).

Source: INSTAT.

1) The Consumer Price Index yearly data for this and consecutive years, represent yearly average consumer price indexes by main groups, while monthly data represent consumer price index.

2) Yearly data measure the variation of December index of year n with December index of year n-1 while, monthly data measure yearly index changes in percentage.

3) Simple arithmetic average of annual inflation of latest twelve months (calculation of BoA).



EMPLOYMENT, UNEMPLOYMENT AND WAGES¹ 4-4

In thousands, unless otherwise indicated

4-4 PUNËSIMI, PAPUNËSIA DHE PAGAT¹

Në mijë, ose në rast të kundërt, sikurse përcaktohet

	Të punësuar sipas sektorëve ^{2,3} / Employed by sectors ^{2,3}		Punëkësues të papunë të regjistruar ² / Registered jobseekers ²	Pagat ³ (në Lekë) / Wages ³ (in ALL)	
	Në sektorin shërbësor / In public sector	Në sektorin privat jo-bujësor / In non agricultural private sector		Paga mesatare mujore në sektorin shërbësor / Average monthly wage in public sector	Paga minimale e miratuar / Approved minimum monthly wage
	1	2	3	4	5
2014	164	319	443	142	53,025
2015	164	360	448	149	54,000
2016	165	412	466	120	54,488
2017/I	164	447	456	96	56,500
2017/II	165	470	456	92	60,500
2017/III	165	482	457	86	60,650
2017/IV	164	501	457	85	61,600

Burimi: INSTAT.

1 Të dhënat janë sipas informacionit të publikuar në faqen e internetit të INSTAT në datën 12.03.2018.

- Databaza Statistikore / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit Vjetor.

- Databaza Statistikore / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit 3 mujorë.

- Databaza Statistikore / Pagat dhe Kosto e Punës.

- Temat / Tregu i Punës dhe Aksimi / Pagat / Paga mesatare mujore dhe Paga minimale e miratuar

2. Mesatare vjetore (të dhënat vjetore)

3 Të dhëna administrative (të dhënat vjetore)

Source: INSTAT

1 The data are after the informations published in INSTAT web page on 12.03.2018.

- Statistical Database / Labor Market / Administrative labor market data / Annual indicators.

- Statistical Database / Labor Market / Administrative labor market data / Quarterly indicators.

- Statistical Database / Salaries and Labor Costs.

- Themes / Labour Market and Education / Wages Average monthly wage in public sector and approved minimum wage

2 Annual average (annual data)

3 Administrative data (annual data)

