

**JCR Eurasia Rating
SOVEREIGN RATING**

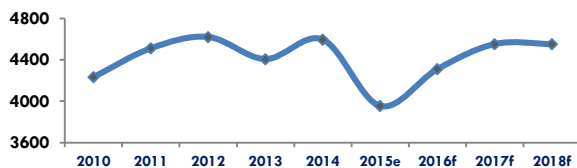
**Sovereign
June 16, 2016, Review**

ALBANIA		Long-Term	Short-Term
Sovereign	Foreign currency	BB+	B
	Local currency	BB+	B
	Outlook	Positive	Stable
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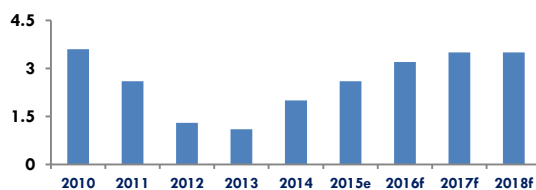
THE REPUBLIC OF ALBANIA						
Data	2015*	2014*	2013*	2012*	2011*	2010*
GDP Current Prices LEK (bill)	1,434	1,401	1,351	1,360	1,320	1,282
GDP Current Prices USD(bill)	11.43	13.28	12.78	13.4	13.08	12.32
Population (ml)	2.89	2.89	2.9	2.9	2.9	2.91
Unemployment Rate (%)	17.7	17.5	15.6	13.4	13.9	13.49
Annual Inflation Rate (%)	2.1	1.8	1.9	2.4	1.7	3.4
Real GDP Growth (%)	2.6	2.0	1.1	1.3	2.6	3.6
Current Account Balance/GDP (%)	-12.1	-11.9	-10.9	-10.4	-13.1	-11.5
Broad Money LEK (bill)	1,218	1,195	1,149	1,144	1057	955
Official International Reserves USD-bill	3.14	2.67	2.74	2.6	2.47	2.54
Exchange Rate LEK per	125.79	115.23	101.86	101.5	100.93	104.09

*End of year

GDP per Capita (USD)



Real GDP Growth



Positive Factors

- Continuation of fiscal consolidation
- Reduced borrowing costs evidenced with recent lower yielding long term issuances
- Economic and political reform anchors stemming from EU candidacy and IMF program
- FDI flows and positive expectations given the reform plans of the government
- Preservation of commitment to structural reforms, generating a more business friendly investment climate
- Accommodative monetary policy of the central bank
- The potential support on the exports due to gradual recovery of the Eurozone
- Sufficient capitalization levels of the banking sector

Negative Factors

- Sizable public debt, despite of fiscal consolidation efforts
- High unemployment levels, undermining the contribution of domestic consumption and social stability
- Existence of a large informal economy and lack of transparency, despite certain improvements
- Precarious level of current account deficit, threatening financial stability
- Notably high NPL ratios, pressurizing the banking system
- Contingent liabilities stemming from property restitution claims
- Political risks and tensions in the international are in particular with respect to sensitive issues related with Kosovo

Country Outlook and Rating Perspective

Macroeconomic outlook and fiscal foundation of Albania continue to be closely related with large public debt and the need for further structural reforms. The country's notable potential for growth and recent positive developments with regards to reduced borrowing rates underpin strong capacity to develop. Furthermore, the EU candidacy and the ongoing Extended Fund Facility (EFF) with the IMF support the outlook and underlying fundamentals of the country.

Following five-year EUR 450mn Eurobond issuance in 2015 November, Albania finalized issuance of 10-year fixed and float rate LEK denominated bonds at much lower yields. The accommodative monetary policy of Bank of Albania with key rate falling down to 1.25% provides significant flexibility to financial institutions.

The ongoing negotiations between Albania and the EU for accession provides a good anchor for structural reforms, investment climate and encourages FDI flows to the country. Considering the current government's efforts to maintain commitment to establish a favorable business environment and bolster integration with key markets and Albania is expected to recover to its potential growth rates. In this regard, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as "BB+" outlook as "Positive".

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"Global Knowledge supported by Local Experience"