

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

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

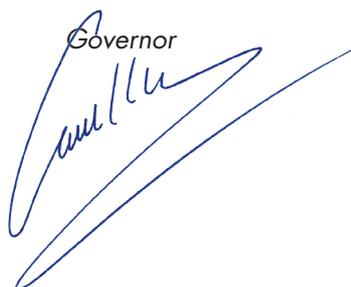
Dear reader,

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

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

Gent SEJKO

Governor



2019 YEAR IN BRIEF

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



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





SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

(left to right)

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