

CENTRAL BANKING

**BANK OF ALBANIA
HIGHLIGHTS**
July-December 2021



NEWS AND EVENTS

No. 10





Gent Sejko, Governor of the Bank of Albania

EDITORIAL

Dear Reader,

I have the pleasure to present the following edition of our half-yearly magazine "Central Banking: Bank of Albania highlights" for 2021 H2. This magazine presents a chronological overview of the activity of the Bank of Albania over the past six months. It shows the steps we have taken toward our main objectives, to support the country's economic development and overall welfare.

During this six-month-period, the Bank of Albania undertook the awareness campaign "Neither old nor new, I am simply Lek!", A new initiative which aims to raise public awareness for not using the wrong terms "new lek" and "old lek" during their financial operations.

Money is a very important element in everyone's life, which is why monetary reforms have always attracted the attention of the citizens. Albania has known some monetary reforms in its financial history, however one of the most important monetary reforms, which continues to have its consequences to this day, was that of 1965. According to this reform, the currency in circulation changed in the ratio of 10 to 1, where 10 old lek were exchanged with 1 new lek, where at the same exchange rate, prices, salaries and any other financial action changed.

This reform would pave the way for the use of the concepts of new lek and old lek, which are surprisingly transmitted from generation to generation until today, despite the fact that 55 years have passed since this reform was undertaken. This is a wrong practice of reading the value of the national currency, which causes confusion in our financial communication and uncertainty in the various transactions we make.

The Bank of Albania has conducted a survey on a national level, to measure the degree of the use of the terminology "new lek" - "old" lek, to assess the prevalence and depth of this issue. Results from the survey show that the phenomenon on the incorrect communication of lek value perpetually present in our society, as more than half of the interviewees either wrongly identify or read the lek value. Also results show that the wrong communication of lek value varies across socio-demographic groups, by: age, education level, employment, level of income, etc.

Therefore, the Bank of Albania decided to undertake this campaign to emphasize that the Albanian currency is simply called Lek. The campaign aims to raise awareness and educate the public about the correct reading of the value written on national Lek currencies and banknotes, without adding 0 or unnecessary words such "new" or "old".

This several-year campaign is a national challenge, which needs the joint commitment of all institutions, actors, but above all the citizens themselves in order to abandon once and for all the use of this wrong terminology in economic and financial relations.

Money is created as a mean to facilitate our multiple relationships in our daily life. Therefore, there is no need for added difficulties and mathematical confusion with one more zero or less! The Bank of Albania recalls on that our currency is neither old nor new, but it is simply Lek! And the value of the lek should be read as it is written on the banknote.

GOVERNOR SEJKO MEETS REPRESENTATIVES OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

On 1 July 2021, Tirana

The Governor of the Bank of Albania Mr Gent Sejko, met with a delegation of the European Bank for Reconstruction and Development (EBRD). The purpose of this meeting was to introduce Ms Ekaterina Solovova, the new Head of Albania for the European Bank for Reconstruction and Development (EBRD).



Mr Sejko valued EBRD for the technical assistance provided to the Bank of Albania, mainly in the areas of banking supervision and financial stability. He focused on the new project that will support the BoA in the alignment of the regulatory and supervisory framework on credit institutions with the European Union standards.



Representatives of BERZH valued positively the policy implemented by the Bank of Albania in response to the situation caused by the COVID-19 pandemic, and commended its contribution in supporting the economic growth of Albania, improving the lending environment and both the supervisory and regulatory framework, and its approximation with the best international standards. The EBRD representatives thanked Governor Sejko for the existing institutional cooperation. In this view they also discussed about future projects, by applauding the Albania's potential and affirmed the commitment for fostered cooperation in areas of particular interest to Albania.

FIRST DEPUTY GOVERNOR MINXHOZI MEETS THE HOMOLOGUE OF THE CENTRAL BANK OF MONTENEGRO

6 July 2021, Tirana

First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi, met with a delegation from the Central Bank of Montenegro, led by the First Deputy Governor of CBCG, Ms Zorica Kalezić, regarding the initiative on the establishment of a modernized regional market of payment systems between Western Balkans.



This initiative, supported by the European Union, the Regional Cooperation Council and the World Bank, is based on the European experience on the functioning of cross-border payment services and systems. In addition, this initiative aims at further implementing the Central European Free Trade Agreement (CEFTA) and integrating Western Balkans market to the European Union in this field.



Beyond the achievements so far, during the discussion special attention was paid to the settlement projects of payments in euro and instant payment. They are assessed to become the key initiatives in the view of infrastructural developments for the modernisation of the regional market and its integration. Concluding, the interlocutors concurred on the continuation of the discussions and coordination of efforts for achieving a common and very efficient approach to accomplishing the aimed projects, in both decision-taking and technical levels.

THE BANK OF ALBANIA AND THE EUROPEAN CENTRAL BANK SIGN THE COOPERATION AGREEMENT FOR THE PREVENTION AND DETECTION OF THE EURO- COUNTERFEITING.

8 July 2021

The Bank of Albania and the European Central Bank signed the cooperation agreement on the exchange of information in the field of the protection of the euro against counterfeiting. This agreement aims to regulate and facilitate the cooperation procedures between the two central authorities in the field of protection of the euro against counterfeiting in the territory of Albania. The agreement shall standardise the technical information in order to strengthen the technical capacities for the monitoring and prevention of counterfeit euro banknotes in Albania.

Governor Sejko deems this cooperation to be quite important in order to intensify the exchange of information, opinions and expertise in the field of counterfeiting of the euro.

ON THE INTRODUCTION OF THE ALBANIAN COIN WITH NOMINAL VALUE OF 5 LEKË, 20 LEKË AND 50 LEKË, LEGAL TENDER, ISSUE OF 2020

30 July 2021

The Bank of Albania informs the public that, as of 23 August 2021, Albanian 5 Lekë, 20

Lekë and 50 Lekë coins, legal tender, issue of 2020, were put in circulation.

These coins have the same composition, appearance, size and weight as the last issue of the denominations in question, but the year of issue of the new coins will be "2020". Also, on 5 Lekë and 50 Lekë coins, the spelling of the words "LEKË" and "ALBANIA" changes. Starting from 23 August 2020, the new coins will be used as a means of payment in parallel with all existing coins in circulation, issues of previous years.

GOVERNOR SEJKO MEETS WITH THE EBRD'S FIRST VICE PRESIDENT JÜRGEN RIGTERINK

08 September 2021, Tirana

The First Vice President of the European Bank for Reconstruction and Development (EBRD) Mr Jürgen Rigterink visited Albania on 8 September 2021. During this visit, Mr Jürgen Rigterink had high-level meetings to affirm the commitment of the EBRD with Albania.

During the meeting, Governor Sejko, highlighted the excellent relationships with the EBRD, the significant contribution with financial investments in crucial areas of the Albanian economy. Then, Mr Sejko introduced Mr Rigterink with the latest economic and financial developments in Albania. In particular, Governor Sejko focused on addressing the main challenge to the whole economy: the impact of the pandemic; developments in the banking and financial system, expectations about the economic indicators in the future; the framework of the macroeconomic policies and structural reforms required to boost economic growth and to improve business climate.



The EBRD's First Vice President Rigterink commended the work of the Bank of Albania and its policies, which have contributed to maintain macroeconomic stability and consolidate the financial system in Albania. Mr Rigterink stated that after successfully coping with the pandemic, now it is the time for Albania to step up forward and build back the progress and economic growth - a development which should be inclusive and resilient.



These are also the priorities of EBRD, which is ready to support Albania while recovering from this crisis and builds up a better future.

Concluding, the EBRD's First Vice President, Mr Jürgen Riegerink reaffirmed the commitment to continue the collaboration with the Bank of Albania to strengthen the financial sector through supporting the banking sector through credit lines and other facilities.

GOVERNOR SEJKO ATTENDS THE ROUND TABLE ON: "ECONOMIC DEVELOPMENT OF ALBANIA: CHALLENGES AND OPPORTUNITIES", ORGANIZED BY THE BRITISH EMBASSY IN TIRANA 15 September 2021, Tirana

Governor Sejko attended the roundtable organized by the British Embassy in Tirana, in order to discuss the main issues that Albania is currently facing, such as: the challenges posed by rapid climate change; economic difficulties stemming from the country's history; the situation created due to the COVID-19 pandemic; as well as governance challenges. The Chair of Board of Trustee at Overseas Development Institute (ODI), Sir Suma Chakrabarti, the Chief Executive at ODI, Ms Sara Pantuliano, and the British Ambassador in Albania, H.E. Mr Alastair King-Smith, attended this round table.

In his speech, the Governor stated the importance of building a better future via finding a safer path to exit the pandemic. On one hand, the economic policies should

continue to fuel the recovery and avoid a sudden withdrawal of stimulus. On the other hand, attention should be paid on the monitoring of possible risks arising from debt overhang, both in public and private sectors, and the increase of inflation.



The Governor emphasized that the challenges of future development, structural weaknesses, as well as global development trends should be carefully considered in order to turn them into opportunities. Sustainable growth requires a clear reform agenda: the fight against



informality, education and financial inclusion, foreign investment, and regional cooperation and beyond.

GOVERNOR SEJKO HOLD THE VIRTUAL MEETING WITH THE WORLD BANK MISSION FOR THE FINANCIAL SECTOR 23 September 2021

The Governor of the Bank of Albania Mr Gent Sejko, and other representatives held a virtual meeting with the World Bank (WB) Mission for the Financial Sector (FINSAC), with the participation of the Permanent Representative of the WB Office in Albania, Mr Emanuel Salinas.

The issues discussed during this meeting were: the performance of the Albanian economy; developments in the financial system; impact of the pandemic on the economic growth; and expectations about the economic rebound in the next period.



Governor Sejko presented the latest developments in the banking sector and he stressed that the banking system is well-capitalized, with liquidity, with improved

profitability, while the non-performing loan rate has continued to decline. Regarding developments in payment systems and financial education, the Governor discussed with the mission the latest developments regarding the National Strategy for Low Value Payments (2018-2023), as well as efforts to draft a National Strategy for Financial Education". He thanked the World Bank for its contribution over the years and the initiatives taken in the field of program and policy reforms.



Representatives of WB assessed positively the policy implemented by the Bank of Albania in response to the situation caused by the COVID-19 pandemic, and commented its contribution in reducing non-performing loans, improving regulatory framework, and its approximation with the best international standards.

Concluding, the discussions were on the future projects of the Bank of Albania, which can be supported through the technical assistance provided by the World Bank.

GOVERNOR SEJKO VIRTUALLY MEETS REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND MISSION 28 September 2021

The Governor of the Bank of Albania Mr Gent Sejko met with the International Monetary Fund (IMF) Mission team, led by Yan Sun, head of the IMF mission in Albania, in the framework of Article IV discussions. Macroeconomic developments of 2021 were discussed during the meeting, focusing on expectations for the economic recovery, inflation, exchange rate, developments in the banking and financial sector, as well as the necessary orientation of economic policies for achieving the sustainable growth objectives in Albania.

Governor Sejko stated that the Albanian economy has shown a clear recovery trend in the first half of 2021. Our forecasts suggest for a positive performance of the economy in the medium-term. Regarding the banking sector, Governor Sejko highlighted that it



appears stable, with indicators showing a financial environment willing to further support the economic growth of Albania. Moreover, the Governor said that the Bank of Albania remains eager to take all necessary actions to support the banking activity and contribute to the stability of the financial system.

The IMF mission assesses that the Bank of Albania's accommodative monetary policy remains appropriate, providing the necessary stimulus to the economic growth. The current pressures on the price increase of some

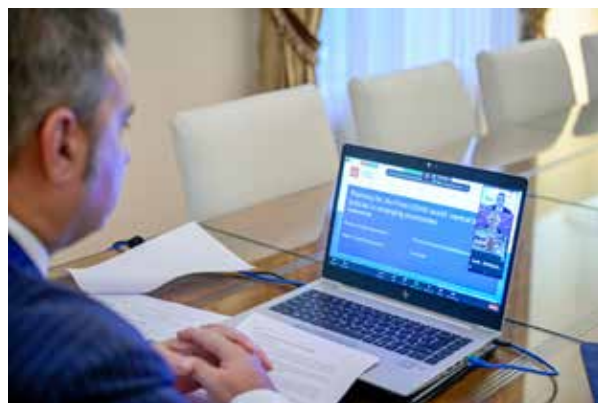


consumer basket items seem to be of foreign and temporary origin.

At the end of the discussions, the importance of continuing the coordination of economic policies in the country was emphasized, in order to guarantee a sustainable growth of the country in the medium and long term.

VIRTUAL PUBLIC LECTURE HELD BY THE GOVERNOR OF THE BANK OF ALBANIA MR GENT SEJKO, HOSTED BY THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE 7 October 2021

The Governor of the Bank of Albania Mr Gent Sejko held a public lecture, virtually, hosted by the London School of Economics and Political Science (LESE), titled: "Planning for the Post-COVID world: central bank policies in emerging economies", Governor Sejko focused his presentation on three main issues. At the beginning of his lecture, the Governor of the Bank of Albania, Mr Sejko discussed the experience of the SEE region with the past three crisis: the Global Financial Crisis, 2008-2009; the European Sovereign Debt Crisis, 2010-2012; and the Covid-19 pandemic. As one of the central institutions in Albania, the Bank of Albania undertook the adequate necessary measures, in a timely manner to support the Albania economy which was also hardly hid by the pandemic. These measures helped at mitigating the negative effects on the welfare of enterprises and households, as well as the establishment of premises for a very rapid recovery of the post-pandemic economy.



In addition, Mr Sejko pointed out that a set of reforms undertaken by the Albanian authorities, with a direct impact on maintaining of financial stability, coupled with a timely coordination with international institutions had a crucial role in successfully dealing with this situation.

Concluding, Governor Sejko stated that along with the overcoming of the crisis caused by the pandemic, the attention of institutions is focused on the new challenges to the economic outlook, like: dealing with the recent supply-side shock of global commodity prices; navigating the policy normalization





conundrum; and assessing potential structural impacts on the economy.

The lecture of Governor Sejko was followed by discussions of professors at the London School of Economics and Political Sciences (LSE), Mr Ricardo Reis, Ms Piroska Nagy-Mohácsi, and Mr Vassilis Monastiriotis. The panellists assessed quite positively the management of this crisis in Albania. Albania, notwithstanding being a small country in the face of this global crisis, thanks to the swift reaction and the coordination of the economic policies, succeeded to exit this situation and start the economic rebound. Further, they praised the measures taken by the Bank of Albania, which complemented the fiscal policy quite well. Thanks to this coordination, the deterioration of the economic situation remained temporary and Albania has already taken the path towards a sustainable economic growth.



GOVERNOR SEJKO ATTENDS THE IMF AND WBG ANNUAL MEETINGS, VIRTUALLY

13-20 October 2021

The Governor of the Bank of Albania Mr Gent Sejko, in the capacity of the Governor of the Republic of Albania at the IMF, attended the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WB), which due to the pandemic were held virtually.

On this occasion, Governor Sejko held several important meetings with the most prominent personalities in the international financial field, during which he presented an overview of the Albanian economic and financial situation, where he stressed that the gradual economic recovery has begun and it will accelerate during the remaining part of 2021 and 2022. Nevertheless, Mr Sejko stated that the projection of the economic recovery depends on many factors, such as: the course of the pandemic; the sustainability of the global economic recovery, and the the impact of current supply-side shocks.



The increase of prices in global markets will provide its impact on the performance of inflation in Albania, and is assessed as a risk-related factor to inflation rate and potentially - to the economic recovery speed. Nevertheless, this effect is expected

to be temporary. In case the impact of price increases on world markets on domestic inflation will be higher than expected, the Bank of Albania remains willing to review

the monetary policy stance, in line with the inflation target.

Representatives of the IMF and WBG commended the policy implemented by the Bank of Albania, contributing to the mitigation of the negative effects caused by the pandemic and the establishment of the premises for a faster recovery of the economy.

They emphasised that the Bank of Albania has implemented a monetary policy, being qualified as "the right one", which has provided a favourable financial environment for the economic growth and the return of inflation to target. They highlighted that this



policy has enabled: smooth functioning of the financial markets; low financing costs of public and private sectors; and sound balance sheets of banking sector.



In addition, the IMF and WBG representatives stated that the Bank of Albania, along with the measures undertaken throughout the pandemic, may be considered a quite good model amid central banks for the management of risks arisen from the pandemic.

GOVERNOR SEJKO MEETS THE EXECUTIVE DIRECTOR OF THE WORLD BANK FOR ALBANIA, MR MATTEO BUGAMELLI

25 October 2021, Tirana

The Governor of the Bank of Albania Mr Gent Sejko welcomed the Executive Director of the World Bank for Albania, Mr Matteo Bugamelli, at the premises of the Bank of Albania, in the framework of his official visit in Albania, with the participation of the Permanent Representative of the WBG Office in Albania, Mr Emanuel Salinas.

In this meeting, discussions focused on expectations for the economic increase, inflation, exchange rate, developments in the banking and financial sector, as well as the necessary orientation of economic policies for achieving the sustainable growth objectives in Albania.



Regarding the developments in payment systems and financial education, the Governor discussed with the mission the latest outcomes related to the National Strategy for Retail Payments (2018-2023), as well as the work on drafting a "National Strategy for Financial Education." In addition, the Governor presented the work done by the Bank of

Albania on drafting legal and regulatory acts aimed at transposing the European Union Directive "On Payment Account", whose main purpose is to create a "basic account" that will enhance the financial inclusion of people. Governor Sejko reiterated his appreciation especially as regards the contribution of the WB in the area of resolution and more concretely in the operationalisation of the regulatory framework approximated to that of the European Union.



The World Bank representatives highlighted their optimism for the next collaboration with the Bank of Albania, mainly focused on the field of research, by means of which, the Bank of Albania aims to draft a National Strategy on Financial Education.

In conclusion, the interlocutors discussed the future projects of the Bank of Albania, which might be supported by the technical assistance provided by the World Bank.

SOUTHEAST EUROPE, MR ARY NAÏM

16 November 2021, Tirana

Governor Sejko meets the Regional Manager of the International Finance Corporation (IFC) for Central and Southeast Europe, Mr Ary Naïm.



During the meeting the Governor presented the economic overview in Albania, the response of the Bank of Albania to the situation created by the COVID-19 pandemic and the challenges in the future. The Governor stated that the pandemic has tested the resilience of the Albanian economy. Nevertheless, thanks to the timely and well-coordinated measures and instruments taken by the Bank of Albania for supporting the financial activity and by the Government, it was succeeded to contain the adverse economic impact and preserve the monetary and financial stability. The

GOVERNOR SEJKO MEETS THE REGIONAL MANAGER OF THE INTERNATIONAL FINANCE CORPORATION (IFC) FOR CENTRAL AND



economy is continuing to recover gradually and projections suggest that the parameters will continue to stabilize during 2022 and the monetary stimulus will create the premises for a steady return of inflation to target over the next year. The governor added that the reduction of restrictive measures, the increase of confidence, the improvement of the foreign environment, as well as the stimulating economic policies have played an important role in the recovery of the economic activity.

Regional Manager of the International Finance Corporation, Mr Ary Naïm, commended the work of the Bank of Albania and its policies, which have contributed to maintain macroeconomic stability and consolidate the financial system in Albania.

In conclusion, the parties expressed their willingness to cooperate mainly in the field of financial system.

BANK OF ALBANIA UNDERTAKES THE INITIATIVE AND LAUNCHES THE AWARENESS CAMPAIGN: “NEITHER OLD NOR NEW, I AM SIMPLY LEK!”

17 November 2021, Tirana

On 17 November 2021, the Bank of Albania launched the awareness campaign: “Neither old nor new, I am simply Lek!”, in a ceremony organised on this occasion at its premises.





This initiative of the Bank of Albania aims at making the public aware on the elimination of the outdated terms “new lek” - “old lek” in their day-to-day financial operations. The use of this terminology continues triggering confusion over times.

In his address, Governor Sejko stated that the Bank of Albania is undertaking this initiative in the framework of its role in the field of financial education and in fulfilling the reconsiderations of the Albanian Assemle for this purpose,

in the resolutions on the assessment of our institution’s activity.

The Bank of Albania has conducted a survey on a national level, to measures the degree of the use of the terminology “new lek” - “old” lek. Results from the survey show that the phenomenon on the incorrect communication of lek value perpetually present in our society, as more than half of the interviewees either wrongly identify or read the lek value.

To address this issue the bank of Albania decided to take this thorough awareness campaign, extended in time that will affect various groups of interest. The Bank of Albania, with a view to realising this campaign, will collaborate with the relevant institutions, aiming at establishing a comprehensive platform with communication means and channels.

BANK OF ALBANIA ORGANISES THE 15TH SEE ECONOMIC RESEARCH WORKSHOP

6-7 December 2021, virtually

For the 15th year, the Bank of Albania organized the Economic Research Workshop for South-east Europe, as a forum for discussing the works and research projects carried out by the bank during 2021, and by colleagues



and researchers of prestigious central banks and universities in the country and abroad. During the two-day-workshop, 20 research papers were presented and discussed, of which five were authored by the Bank of Albania's staff members.



The Governor of the Bank of Albania, Mr Gent Sejko opened the workshop proceedings. In his speech, Governor Sejko highlighted that in 2020, discussions were focused on the modern monetary policy, and the role of the central bank's balance sheet as a permanent instrument of monetary policy that can and should be broadly used to bolster aggregate demand. Meanwhile, the topic that prevails this year is the concern about the recently observed inflation and its longevity.

The Governor added that, in the light of the opposed views among economists, the research work to improve inflation models should continue, particularly as, after all these years of studies and research to understand the phenomenon of inflation, we are again going through doubts and mixed positions.

Concluding, Governor Sejko thanked the attendees for their participation, pointing out that their contribution serves to improve the work and conclusions of scientific research, making them more valuable to our institutions, particularly in this unprecedented time caused by the Covid-19 pandemic.

7TH MEETING OF THE NATIONAL PAYMENT SYSTEMS COMMITTEE 16 December 2021, virtually

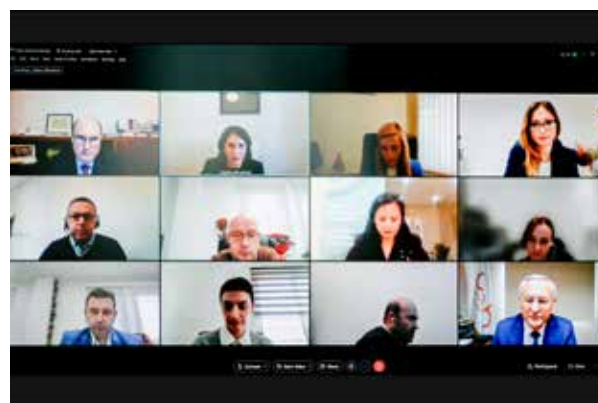
The National Payment Systems Committee (NPSC) held its seventh meeting, chaired by Ms Luljeta Minxhozi, First Deputy Governor of the Bank of Albania. The meeting was attended by representatives from the: Albanian Banking Association; Auxiliary Committee of Payments, Cards, Digitalisation and Alternative Channels, newly established by the AAB, representatives of the Ministry of Finance and Economy, AMF, The Albanian Microfinance Association (MFI), and other market stakeholders; with the presence of representatives from the World Bank.



In her opening address, Ms Minxhozi thanked the participants for their active support in meeting the objectives of the National Strategy for Retail Payments (SKPVV, 2018-2023),

and made a summary of the implemented measures, focusing on legal and regulatory developments.

Further, the Ms Minxhozi stressed the importance of financial education in order to materialize in the most effective way the measures taken so far and for achieving the following objectives. The meeting continued with the discussion regarding the drafting of the National Strategy for Financial Education. The stakeholders explained the measures taken and the perspectives regarding the approach and objectives of the strategy. A detailed presentation was made by the World Bank, as the main international partner that is assisting Albanian stakeholders in drafting this strategy, focusing on the mission, vision, need and reasons of the strategy, stakeholders, coordination and inter-institutional cooperation, as well as its funding sources.



In addition, representatives of the Bank of Albania presented the achievements, as well as the objectives to be met in relation to the SKPVV, as well as discussed on issues such as the direct debit project, the settlement of transactions in euro within the country, the concept of open banking, etc.

ON THE MEETING OF GOVERNOR GENT SEJKO WITH JOURNALISTS, ANALYSTS AND MEDIA REPRESENTATIVES 20 December 2020, Tirana

Governor Sejko addresses end-of-year meeting with well-known publicists and journalists of the print and electronic media, political and economic analysts, and media representatives in Albania.



He praised the readiness, objectivity and seriousness of the media in covering and broadcasting to the public the activity of the Bank of Albania throughout 2021. The professionalism in making and conveying the news and economic analysis were a valuable and indispensable support to maintaining price and financial stability. The Bank of Albania



will continue be a transparent institution, ready to provide opinions and assessments as necessary in all public debates related to

the performance of country's economy and financial markets.

An established tradition now, during the end-of-year event, the winners of The Governor's Award for the Best Diploma were announced. The first prize was awarded to Ms Ervi Kosta, student of Master of Sciences at the Faculty of Economics and Agribusiness, Agriculture University of Tirana, elaborating on the topic of: "Diversification of income and its impact on the financial performance of commercial banks." The second prize was awarded to Ms Marina Poppa, student of Master's Degree on Economy Development at City University, London, for the study on: "Assessing the role of the macroeconomic and institutional environment in the performance of micro-financial institutions in Albania." The third prize was awarded to Ms Kristjana Proko, student of Master of Sciences at the Faculty of Economy at the University of Tirana, for the study on: "Optimal taxation on wage revenues – the Albanian case."



MEETING OF THE FINANCIAL STABILITY ADVISORY GROUP 30 December 2021

The Financial Stability Advisory Group (FSAG) was chaired by the Minister of Finance and Economy, and was attended by Governor of the Bank of Albania (BoA), Chair of the Board of the Financial Supervisory Authority (FSA), Director General of the FSA, Director General of the Deposit Insurance Agency (DIA), as well as other representatives from these institutions.





The BoA presentation focused on assessing the financial condition of the banking sector. During 2021 developments were positive, reflecting the resistance of the economy against the impact of the pandemic. Financial markets functioned normally, while volume of transactions remained stable and interest rates low. The activity of the banking sector expanded and non-performing loans decreased to about ALL 41 billion, causing the ratio of non-performing loans to total loans to fall to 6.2% in November. Market risk indicators did not show pronounced changes. The banking sector's ability to withstand risks is assessed as robust. Nevertheless, the Bank of Albania shall pay special attention to the analysis of non-performing loans, through dedicated supervisory actions in the banking sector, throughout 2022.

In the framework of systemic risks analysis related to the economy structure, the BoA's representatives presented to the FSAG an analysis constructed on the national financial accounts and the interconnection amid institutional sectors. The excessive use of foreign currency in economy, frequently as payment means, remains one of the important sources of financial risk and leads to the decrease of the monetary and financial policies effectiveness. For this reason, the participants discussed the need that measures used to reduce the use of foreign currencies ought to be extended to the real sectors of the economy. They committed to inter-institutional

cooperation supported by expertise from international financial institutions.

AFSA acquainted the participants with the developments in the legal and regulatory framework, as well as with the progress of financial markets supervised by this institution, where: the adoption of several important laws and the preparation of the draft law "On private pension funds"; as well as the increase in premiums gross paid during the year, as well as the faster increase in claims paid were noted. Overall, even these markets have shown resilience and good activity growth, despite the impact of the pandemic.



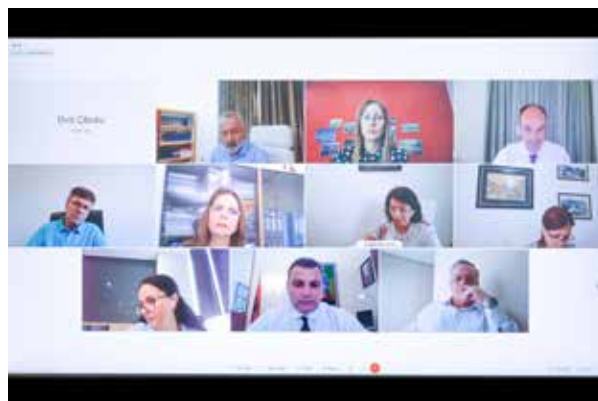
In this meeting, DIA's representatives presented the performance of insured deposits at banks and savings and loan associations (SLAs). Over the past year, insurable deposits have increased. In total, households' savings continued to dominate the insured deposits, and show a slight dominance of foreign currency deposits. In the conditions of the

pandemic and from the point of view of care, DIA strengthened its resources with the credit line made available by the EBRD and guaranteed by the Albanian Government.

The leaders of the participating institutions positively assessed the developments in the financial system, financial markets and the relevant regulatory framework, confirming the stability of the financial system that was not affected by the pandemic. They highlighted the importance of monitoring the financial developments, as both the economic situation and the public health encounter continuous challenges.

THE BANK OF ALBANIA COMMUNICATES TO THE PUBLIC THE MONETARY POLICY DECISION-MAKING

After each meeting of the Supervisory Council, the Governor of the Bank of Albania communicates to the public the decision-making of the Bank of Albania, at a press conference. According to the calendar published at the beginning of the year, during the second six months of 2021, five press conferences of the Governor were held on this decision-making, respectively on: 6 July, 3 August, 5 October, 2 November and 21 December.



The Supervisory Council decided to maintain the key interest rate unchanged, at 0.5%, and the overnight deposit and overnight lending rates at 0.1% and 0.9%, respectively.

THE PRESENTATION OF THE PERIODICAL REPORTS OF THE BANK OF ALBANIA TO THE MEDIA

As part of its communication strategy with the public, the Bank of Albania presents its periodical reports to the media prior to their publication. Based on the publication calendar of periodic reports published on the Bank of Albania's website at the beginning of 2021, during the these 6 months of this year, were held 4 presentations, respectively:

- The presentation of the Quarterly Monetary Policy Report 2021/III, dated 11 August 2021, (On-line)
- The presentation of the Annual Supervision Report 2020, dated 6 July 2021, (On-line)



- The presentation of the Financial Stability Report 2021 H1, dated 23 September 2021; (On-line)
- The presentation of the Quarterly Monetary Policy Report 2021/IV, dated 11 November 2021. (On-line)

