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PRESS RELEASE

Meeting of the Financial Stability Advisory Group

30 June 2014

The Financial Stability Advisory Group (FSAG) held its regular quarterly¹ meeting on 30 June 2014. The meeting brought together the Minister of Finance, Governor of the Bank of Albania, Chair of the Board of the Albanian Financial Supervisory Authority, and Director General of the Albanian Deposit Insurance Agency, as well as other senior officials from these institutions.

Bank of Albania representatives presented an assessment of the financial performance and risks facing the banking sector's activity. The financial situation of the banking sector is good, sustained by the satisfactory performance of liquidity and capitalisation. Treatment of non-performing loans remains the main challenge for the banking sector. Legal and operational actions that have been taken with regard to restructuring and writing off non-performing loans from banks' balance sheet, more suitable tax treatment for non-performing loans, and improvements to the collateral execution process provide stronger support for the banking industry as regards lowering the level of non-performing loans in the short term. FSAG participants stated that this process would be sustainable under the conditions of faster economic growth in Albania.

¹ For 2014, the first meeting was held in March.

Furthermore, the participants discussed on monitoring and implementation of remaining FSAP² recommendations. They were informed on an action plan prepared by the Secretariat, which focused on joint recommendations for the authorities participating in the FSAG. In this context, representatives from each institution affirmed their commitment to establish joint working groups soon, which will work toward implementing respective FSAP recommendations, according to the set time frame. FSAG will regularly monitor the implementation of these recommendations.

Representatives from the Ministry of Finance informed on the process of payments of arrears to private businesses for public works. They analysed the pace of this process and underlined expectations for its acceleration in the second half of the year. The participants reiterated the importance of this process and of stimulating public investments, overall, to revive the real sector of the economy and financial intermediation.

At the conclusion of discussions, according to the agenda, the meeting was adjourned.

² Financial Sector Assessment Program – FSAP, which was realised during October - November 2013 by the International Monetary Fund and the World Bank.