

Tirana, 07.07.2015

PRESS RELEASE

Meeting of the Financial Stability Advisory Group

The Financial Stability Advisory Group (FSAG) met on 7 July 2015. The meeting brought together the Minister of Finance, Governor of the Bank of Albania, Executive Director General of the Albanian Financial Supervisory Authority, Director General of the Albanian Deposit Insurance Agency, as well as other representatives from these institutions. The meeting focused on analysing the activity of the banking and financial sectors and assessing the potential effects from developments in the euro area, especially in Greece.

The FSAG is monitoring closely and is paying special attention to euro area developments, especially the negotiations between Greece and its creditor institutions. Following the failure to reach an agreement, in June 2015, the closure of banks and introduction of capital controls in Greece was an extraordinary though not unexpected move. As a result, the Bank of Albania and other FSAG member institutions intensified the supervisory activity and the exchange of information both between them and with international financial institutions. Furthermore, the financial soundness indicators for Albanian Banks with Greek Capital (ABGCs) and of the overall banking sector have been tested and revaluated in a constant and conservative manner for various scenarios. In addition, the completeness and readiness of the framework of instruments for safeguarding the financial stability has been revaluated.

The FSAG pointed out that the latest developments in the banking sector in Greece have put to the test and have confirmed the capability of the ABGCs to conduct their activity under normal conditions and comply with their contractual obligations, without any problems. The FSAG pointed out that the ABGCs' good liquidity and capitalisation indicators, as well as the lack of exposure and interruption of their transactions with parent banking groups have neutralised potential financial channels, which might have an effect on ABGCs, from developments in Greece's banking sector. On the other hand, the flow of transactions in the banking sector is accompanied with an overall

increase in deposits, thus reflecting the confidence of the public in the situation and performance of the banking activity at home.

FSAG believes that resuming negotiations with Greece after the referendum, of 5 July, will raise hopes that a solution will be found, which, among others, would maintain banking sector's stability in Greece. Nonetheless, at this phase, all scenarios are possible. Against this backdrop, the FSAG deems that, notwithstanding the way the events may unfold in Greece, the insofar measures provide for an effective hedging against risks by the banking sector in Albania. Based on the full capacity to regulate and supervise the activity of all banks in Albania, the Bank of Albania and other FSAG members will undertake other actions, as necessary, in response to potential developments and maintain, in any case, the stability and performance of the banking sector and the whole financial system in Albania.